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COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended June 30, 2004
SOUTHFIELD, MICHIGAN

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Southfield	County Oakland
Audit Date 6/30/04	Opinion Date 12/30/04	Date Accountant Report Submitted to State: 1/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) PricewaterhouseCoopers LLP			
Street Address 400 Renaissance Center		City Detroit	State Mi
		ZIP 48243	
Accountant Signature <i>Danell Burks</i>		Date 1/15/05	

City of Southfield, Michigan

**Comprehensive
Annual Financial Report
For The Fiscal Year Ended
June 30, 2004**

**Financial Services Division
Accounting Department**

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City of Southfield

26000 Evergreen Rd. • P.O. Box 2055 • Southfield, MI 48037-2055

December 30, 2004

Honorable Mayor and Council
Municipal Building
Southfield, Michigan

RE: 2003-04 COMPREHENSIVE ANNUAL FINANCIAL REPORT LETTER OF TRANSMITTAL

Dear Sirs and Mesdames:

The Comprehensive Annual Financial Report of the City of Southfield, Michigan, for the fiscal year ended June 30, 2004, is submitted herewith, in accordance with provisions of the Southfield City Charter and the laws of the State of Michigan. This report, prepared by the City's Financial Services staff, represents the official report of the City's financial operations and condition to the City's residents, elected officials, investment firms, rating agencies and other interested parties. It is in conformance with the requirements of GASB 34, which represent the most sweeping changes in the 20-year history of the Governmental Accounting Standards Board. Responsibility for the accuracy, completeness and fairness of the financial data herein, including all disclosures, rests with the City. The annual audit of the City of Southfield financial statements was conducted by the independent accounting firm of PricewaterhouseCoopers LLP.

This report also includes a separate section on Component Units, as required by Statement Number 14 of the Government Accounting Standards Board (GASB), (see pages 52 and 53 of this letter and the Table of Contents). Component units are included because of the significance of their operational or financial relationships with the City. The component unit columns in the combined financial statements include the financial data of the City's six component units. These units are reported in a separate column to emphasize that they are legally separate from the City. They include the Local Development Finance Authority, the Tax Increment Finance Authority, the Economic Development Corporation, Downtown Development Authority, Brownfield Redevelopment Authority and the Non-Profit Housing Authority. Descriptions of each component unit appear in Note 1.A. on pages 57 and 58 of this report.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The introductory section, which is un-audited, includes this letter of transmittal, an organizational chart and a list of the City of Southfield's principal elected and appointed officials. The financial section includes the Management Discussion and Analysis, basic financial statements and the combining and individual fund statements and schedules. The statistical section, which is un-audited, includes selected financial and demographic information, generally presented on a multi-year basis.

The enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and the results of operations of various funds of the City. This letter should be read in conjunction with the Management's Discussion and Analysis. Included are disclosures necessary to enable the reader to gain an understanding of the City's financial activities.

Mayor Brenda L. Lawrence	Council President Sylvia Jordan	City Clerk Nancy L. M. Banks	City Treasurer Roman J. Gronkowski	City Administrator Dale E. Iman
City Council				
Roy T. Bell	Donald F. Fracassi	Myron A. Frasier	Sidney Lantz	Joan Seymour
				Kenson J. Siver

City of Southfield

Letter of Transmittal

The City of Southfield is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. The single audit report includes independent auditor review and comments on internal controls, legal/regulatory compliance, and any findings of questioned costs.

SOUTHFIELD – Municipal Overview

The City of Southfield has continued to experience substantial growth and progress since its incorporation on April 28, 1958. Southfield offers the best of Michigan and the Midwest - an international center of business and commerce close to quaint, tree-lined neighborhoods.

Located in the heart of southeastern Michigan, with easy access to most major Detroit-area expressways. *Southfield – The Center of It All™*, offers both a cosmopolitan, culturally diverse residential population of 78,000 residents and a thriving international business community. Situated in Oakland County, Southfield offers a complete living community, featuring a nationally recognized public school system, eight universities and more than 700 acres of park land. With a daytime population nearing 175,000, and nearly 26 million square feet of office space, Southfield is Michigan's undisputed business center. Residents and businesses alike come to Southfield for its central location and easy access to all of southeastern Michigan.

Southfield is a model of multiculturalism. Its residential and business populations reflect the world's diversity. Residents and businesses celebrate the rich tapestry of cultural, religious and racial heritage in the community. Southfield provides excellent quality of life; preeminent City services; central location; diverse and affordable housing, with neighborhoods ranging from urban town homes to tree-lined, ravine acreages; and a thriving business community.

Southfield's business community dates back to the mid-1950s. Corporations seeking spacious suburban offices were attracted to Southfield and, within a half-decade, dozens of high-profile firms called Southfield home. Growth was spurred by the nation's first regional shopping center, Northland Center, which opened in Southfield in 1954; yet today, it remains a major retail center. City leaders showed considerable foresight, over the years, in creating a high-visibility business community along major roadways, with neighborhoods strategically tucked into adjacent acreage and subdivisions.

Southfield is operated under a Council/Administrator form of government. The seven-member City Council is elected at two-year intervals on a non-partisan ballot; the three highest vote-getters receive four-year terms and the fourth serves a two-year term. The Council President, who presides over meetings, is elected by Council colleagues. Special Council committees review and make policy recommendations on finance, zoning, transportation, state legislation, appointments and other key issues.

The Mayor, elected to a four-year term on a non-partisan ballot, has veto power over Council actions but does not vote on legislative matters. A two-thirds Council majority vote is needed to override a Mayoral veto. The Mayor also appoints the City Attorney, City Assessor, City Planner and Emergency Management Director, with appointment confirmation by Council.

Also elected to four-year terms, the City Clerk and City Treasurer serve in full-time capacities. The City Administrator, appointed by and reporting to City Council, serves as chief administrative officer and directs daily operations and policy implementation.

City of Southfield

Letter of Transmittal

The City's elected and administrative officials hold memberships in a wide range of professional organizations, including the National League of Cities, Michigan Municipal League, International City/County Management Association, Municipal Clerks Association, Municipal Treasurers Association and Government Finance Officers Association. Management also holds leadership positions or participates in numerous professional organizations, including the International Building Owners and Code Administrators, National Associations of Telecommunication Officers and Advisors, Public Relations Society of America, City-County Communications & Marketing Association and the International Association of Assessing Officers.

Southfield is served by long-tenured elected officials and administrative staff. A new Mayor was elected for the first time in 29 years in 2001; the City Treasurer has 35 years of service with the City; and the previous City Administrator recently retired with more than 35 years of service. Current Council members average more than 10 years of service.

The City's Exempt Service Staff consists of management group employees selected by authorized elected or appointed officials. These positions are executive level, in general, and not part of the civil service system. The Mayor and Council utilize the annual budget process to review salary ranges for Exempt personnel. Other City employment classifications are reviewed either through collective bargaining or the Civil Service Commission.

Attracting and retaining highly qualified management personnel is among the City's ongoing objectives. The average tenure of the City's management groups is more than 20 years, providing notable stability and leadership for City operations. Within the group, 21 have BA or BS degrees and 16 have MA, MS, MPA, MBA, MUP or JD degrees. Many others have achieved professional certification in their respective fields (professional engineer, etc.). In addition, many have earned special recognition through election to state or national association offices, as instructors for professional seminars, or as guest lecturers at universities.

Now celebrating its 46th year as an incorporated city, Southfield has matured into one of Michigan's most dynamic communities. As a result of its position as Michigan's office and high-tech capital, Southfield's 26 million square feet of office/commercial space is home to 8,600 businesses, including more than 100 "Fortune 500" companies and 400-plus high-tech firms, more than any other Michigan city. Southfield also boasts more than four million square feet of retail and seven million of industrial/high-tech space.

Residents have 90 homeowners groups and 35 condominium associations representing their interests. The community offers 18,375 single-family homes and over 19,000 multi-family apartments and townhouses. Within Southfield's 26.7 square miles, residential zoning comprises 64% of land use, yet approximately two-thirds of the community's tax revenues are generated from business properties. Though considered nearly fully developed, Southfield continues to both grow and redevelop to meet the community's ever-changing needs. The Southfield Building Department issued 1,306 building permits, valued at \$81.6 million in calendar year 2003; and 604 permits, valued at \$41.5 million in the first six months of 2004. A total of 11,978 permits in all classifications were issued in the period 1996-2003, with a total estimated value of \$787.3 million.

With 15% of the metro area's speculative office space, Southfield remains the largest submarket in metro Detroit. Intersected by I-696, US 10, US 24, M-39, M-10 and many other major highways, Southfield is centrally located for convenient access to businesses, their customers and suppliers. Its pivotal location also places it 20 minutes away from Detroit Metropolitan Airport and downtown Detroit; as well as most

City of Southfield

Letter of Transmittal

other metro-area communities. As home to 25% of all Oakland County's businesses, 25% of its international firms and 50% of its Japanese firms, Southfield is a strategic international business community.

Southfield is the original home of Automation Alley SmartZone™, one of the first 10 designated for high-tech and information technology focus. Created by the Michigan Legislature and Michigan Economic Development Corporation (MEDC), the SmartZone will help build on Michigan's reputation as one of the nation's leading technology states. More than 400 high-tech/info-tech and life sciences firms have a corporate presence in Southfield. With more office space than the downtowns of Cleveland, Cincinnati, Detroit, Indianapolis or Kansas City, Southfield is recognized as a regional business hub.

The annual SmartZone report filed with the MEDC at the end of 2003 provided evidence of Southfield's prominence and position as Michigan's largest technology cluster. Public and private investment within the designated SmartZone boundaries totaled more than \$21.8 million. In addition, 11 new companies located in the SmartZone and three companies completed expansion projects. In total, 677 new jobs were created in the target industries located in the SmartZone in 2003.

Lawrence Technological University, Oakland University, Oakland County and Automation Alley are the original partners with Southfield in the SmartZone. In 2003, the cities of Rochester Hills and Troy were admitted as partners, further strengthening efforts to develop a recognized national brand for the Automation Alley technology cluster. The universities are performing a critical role in creating a technology accelerator. The accelerator was opened in 2003, and provides programming, access to funding sources, mentoring and other services to support start-up and existing businesses engaged in technology transfer. The accelerator is funded by state grants, federal funds and a \$2.5-million grant from the National Automotive Center. Financial support currently totals \$6-million in support of these efforts. Southfield wrote the initial SmartZone application enabling the region's designation as one of the state's 10 SmartZones to promote high technology business development and job creation in the region.

One of the most exciting examples of dynamic public/private partnerships within the SmartZone is the development of the DTE Energy Hydrogen Technology Park at the northeast corner of 11 Mile and Inkster Roads. DTE Energy has partnered with the U.S. Department of Energy (DOE), the state of Michigan and the City of Southfield to develop, build and operate the pilot project that will create hydrogen gas from Southfield tap water and use that gas in fuel cell generators and to refuel fuel cell-powered vehicles. The hydrogen will be produced using electricity from a combination of grid power and on-site solar photovoltaic cells. The facility is capable of delivering 100,000 kilowatt-hours of electricity per year, enough to power a small office complex and several fuel cell vehicles per day. The \$3 million project – the cost equally shared by DTE Energy and the DOE – is part of President George W. Bush's Hydrogen Fuel Initiative that will invest \$1.7 billion over five years on the research and development needed to make the nation's energy system cleaner and more efficient. Lawrence Technological University is DTE Energy's educational partner on the project that will also serve as a "working laboratory" for LTU students and faculty.

Southfield boasts more information technology companies per square mile than any other city of comparable size, with the exception of California's Silicon Valley. An impressive 97% of the City is accessible to high-speed fiber optics, broadband and satellite service, and several backbones traverse the community. Strategically positioned to capture both high-tech workers and firms, Southfield is assisted by Michigan's #4 national ranking in high-tech work forces and Oakland County's #3 ranking in high-tech

City of Southfield

Letter of Transmittal

workers nationally, making it a particularly attractive choice for businesses seeking highly-qualified workers.

Major telecommunications firms, which appreciate Southfield's extensive high-speed Internet infrastructure, access to a footprint of citywide fiber optics and central location, have made it their metro-area base. More than 35 telecommunications firms are represented in Southfield, including SBC, AT&T, Verizon, Sprint PCS, Quest, Level 3 Communications, LDMI, Teligent, McLeodUSA and Avaya. More than 90 software development companies also have made Southfield their corporate home, including the industry's largest: IBM, Microsoft, Sun Microsystems, Cisco Systems, ADP, ANXBusiness, Peoplesoft and many others.

Other key high-tech industries represented in Southfield are electronic media and satellite facilities, including Hughes Satellite; national affiliates ABC, CBS, FOX, WB Network, United Paramount Network and PAX; and Infinity Broadcasting, parent company of five metro-area radio stations. Health sciences also abound in Southfield, including Blue Care Network, Blue Cross/Blue Shield of Michigan, Housey Pharmaceuticals, Lumigen and several others.

Research and development firms also find Southfield a particularly attractive location, including Lear Corporation, Denso International America, BASF, GE, Honda Research and Development America, Eaton Corporation, Sverdrup Technologies, Panasonic Automotive Electronics, Autoliv Electronics America, Peterson Spring and many others.

Lear Corporation has grown to be one of the world's largest automotive suppliers and has called Southfield home since 1967. Lear is expanding its world headquarters campus by 11 acres, bringing an anticipated 200 new jobs to Southfield. The \$70.8 million expansion began in the fall of 2004 and is expected to be completed in the first quarter of 2006. Lear purchased seven businesses near their headquarters along Telegraph between Eight and Nine Mile Roads to enable the expansion project that will include construction of a 106,000-square-foot, three-story building. The company is also planning major landscaping improvements along with an additional 1,400 parking spaces to better reflect its status as one of the world's leading suppliers of automotive interiors.

Despite a soft economy, Southfield continues to attract new development. Office space under construction or completed during the 2003-04 fiscal year includes the Technecenter II, a 94,000-square-foot research and development facility. Meadowbrook Insurance also completed construction of its new \$9 million headquarters on American Drive and I-696, a four-story, 65,000-square-foot development. A 73,100-square-foot, four-story sister building is also planned to adjoin Meadowbrook's headquarters.

The redevelopment of the Tel-Twelve Shopping Center continues to spur new retail construction and interest in Southfield. The \$19 million investment by Ramco-Gershenson REIT included redeveloping the 41.6 acre parcel with big box retail, smaller retail and restaurants at one of Oakland County's busiest intersections. Existing anchors Circuit City, Office Depot and Media Play were joined by a new 140,000-square-foot Lowe's home improvement store and an expanded DSW Warehouse shoe store. Another 45,565 square feet is leased by Michael's and Pier 1. In addition, two retail buildings on the west side of the site, totaling 26,230 square feet, are fully leased to DOC City Eyes, Cosi, Baja Fresh, Shish Kabob Express, Mr. Pita, T Mobile and Footlocker. Meijer leased the former 128,000-square-foot Kmart site at the north side of the shopping center. Construction began in 2004 of the new 195,000-square-foot expanded building that will feature a new entrance and interior design, the first "new concept" Meijer store being developed in North America.

City of Southfield

Letter of Transmittal

New retail construction continued to take place in 2004 with the completion of the Park Place retail center on Evergreen Road, next to the Park Place at Town Center condominium development. The 18,932-square-foot retail center includes a variety of restaurants and convenience services.

In the Cornerstone District, Greenfield Plaza recently completed facade and landscape improvements, following last year's 30,200-square-foot, \$1.2 million expansion of Art Van Furniture. The Village at Cornerstone, a \$32 million, 13 acre condominium development, is part of a mixed-use project at the corner of Greenfield and Providence Drive. It replaces the former Americana movie theater on the site. The last of the 180 units were completed this summer and restaurant development is progressing. Three other condominium projects are underway in the District: the 173 unit Legacy Place, at Nine Mile and Providence, is undergoing condo conversion; and the Vistas at Nine Mile and Southfield Roads completed the last of its 100 new condominiums. The site of the former Stouffers Northland Inn also was purchased from the City of Southfield by Crosswinds Communities in 2004, with plans for approximately 80 new condominiums on the 3.5 acre site, following demolition of the former hotel in 2002. A 9.8 acre development project is in the works at the corner of Eight Mile Road and Northland Drive, with the property under option to purchase by a residential developer. The development group is contemplating condominiums or a mixed-use development. Another development prospect on the horizon is the potential conversion of the Motor City Howard Johnson's, at the corner of J.L. Hudson Drive and Northwestern into a 4-star hotel chain by Peebles Atlantic Development Corporation, which will make a decision about the purchase of the property in February of 2005. At Northland Shopping Center, National Wholesale Liquidators opened at the site of the former Ward's Department Store, filling a 117,000-square-foot vacancy at the mall and creating approximately 150 new jobs. Nearby, a \$2 million interior renovation of Oakland Community College's Southfield campus is underway. About \$190,000 of new landscaping is nearly complete along the medians of the newly-reconstructed Greenfield Road, all the way from Eight Mile Road to Providence Drive. The project, which will be completed in April of 2005, is funded in part by a Federal Highway Administration Transportation Enhancement Grant, with local support provided by the Cornerstone Development Authority, City of Southfield, City of Oak Park and the Road Commission for Oakland County.

Infrastructure remains one of Southfield's most critical issues to ensure the community's ongoing development, redevelopment, functionality and appearance. The City's Public Works Department, often in cooperation with Michigan Department of Transportation, Oakland County Drain Commission, and the Road Commission for Oakland County, undertook a variety of initiatives in fiscal year 2003-04 to maintain Southfield's roads, water and sewer systems.

The Eleven Mile Road Bridge Reconstruction project began in the spring of 2004 at the Eleven Mile Bridge site located on Eleven Mile Road between Lahser and Telegraph Roads. The \$2.3 million project was partially funded through a \$1.75 million grant from the Federal Critical Bridge Program provided through the Michigan Department of Transportation. A pedestrian walkway was also constructed underneath the west side of the bridge that will eventually complete the Valley Woods Trail Pedestrian Walkway System through the Rouge Green Corridor along the Rouge River between 10 and 12 Mile Roads. The Eleven Mile Road Bridge Project was the first of three City bridges slated for replacement within the next three years. Construction of the 9 Mile Bridge over the Rouge River between Beech and Inkster is scheduled to begin in 2005. The City received a \$1.3 million grant from the Federal Critical Bridge Program provided through the Michigan Department of Transportation to fund the estimated \$1.4 million project. Construction of the Beech Road Bridge over the Rouge River between Shiawassee and 9 Mile is scheduled to begin within the next two to three years. The City has applied for a \$484,500 grant from the Federal Critical Bridge Program to apply towards the estimated \$510,000 cost.

City of Southfield

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The City partnered with the Michigan Department of Transportation (MDOT) to repair the brick sound walls along the I-696 corridor from Lasher to Greenfield. The \$3.7 million Rummell Drain Improvement project between 12 and 13 Mile was completed in 2004 to reestablish it as an attractive open waterway. The entire San Marino Subdivision had water mains and storm sewers installed in addition to complete road repaving at an approximate cost of \$4 million. Other major accomplishments include completion of a \$1.7 million project to relocate Franklin Road, part of the I-696 interchange plan; acquisition of Carpenter Lake and development of a plan to improve its habitat and make other recreational site improvements, including reconstructing the existing dam and dredging the lake to restore it to its original size; extending access to the City's Geographic Information System (GIS) to other departments through the Internet and the addition of work stations and licenses; placement of highway, water, sewer and storm utility information online through the GIS system, providing readily available information to field supervisors during emergencies, such as water main breaks; work continues on the \$55,600 computerized Pavement Management System to better evaluate road needs, resulting in a reduction in staff time for planning, project selection and budgeting; and improvement of the City's Insurance Services Office (ISO) fire rating, based on its fire fighting and water system attributes, resulting in lower commercial business insurance costs.

Additional key projects include Inkster Road resurfacing, widening and installation of sidewalks from 8 Mile Road to Shiawassee. A new water main was also installed along Inkster Road between 8 Mile and Shiawassee. Both projects were completed in conjunction with the City of Farmington Hills. The road improvements were funded through a combination of both communities' Community Development Block Grant (CDBG) funds, and the water main was funded jointly between Southfield and Farmington Hills. In addition, 2003-04 saw the continuation of the \$1.5 million sewer maintenance and relining program.

Curb appeal is important in maintaining the City's image and character; to that end, Public Works undertook several initiatives to ensure the City's streets, sidewalks, neighborhoods and business districts remain safe and clean. Initiatives included the continuation of programs for snow and ice removal, mowing and sweeping of three County roads: Lahser, 10 Mile and 12 Mile Roads; an extra sweep through residential streets; increased right-of-way mowing; and cleaning of ramps and side slope mowing during freeway road closures.

Beautification efforts are further strengthened through the Neighborhood Entranceway Marker Program administered through the City's Neighborhood and Information Center, a division of the Community Relations Department. In calendar year 2003, 15 entranceway projects were funded to improve neighborhood entranceway signs and landscaping based on a dollar-to-dollar match. Additionally, 49 individual homeowners, neighborhood and condominium associations, and public buildings were recognized for outstanding overall appearance and landscaping through the City's annual Community Pride Awards program.

The Miracle League of Michigan completed construction in 2003-2004 of a Miracle League baseball field on the grounds of the Southfield Municipal Complex. The league is a non-profit organization determined to give every child with mental and physical disabilities the chance to play baseball. Many sponsors helped to offset the estimated \$535,000 in construction costs. The Miracle League gives every child the chance to be part of a team and enjoy the all-American game of baseball. The custom-designed venue incorporates a cushioned synthetic turf that accommodates wheelchairs and other walking devices while helping to prevent injuries. During each Miracle League game, every child is given an opportunity to hit the ball and score a run. The field is the first of its kind in the area and it will serve children throughout the entire state of Michigan.

City of Southfield

Letter of Transmittal

An essential component of the City's vitality is its attractive, diverse and affordable housing. Southfield continues to attract residential development, with a number of single-family and multi-family homes approved or under construction since 2003. New residential development approved, under construction or completed in the 2003-04 fiscal year include Christopher Woods (formerly called Bloomfield Development) 23 attached condominiums on 12 Mile Road, between Pebblecreek Parkway and Inkster Road; Tyler Estates IV, 15 detached residential homes on Maitrott, between 12 Mile Road and I-696; Taylor Estates V, 13 attached condos at the southwest corner of 12 Mile and Pebble Creek; Hidden Gardens, 28 attached condos on the east side of Evergreen south of 10 Mile; King's Crossing, 6 attached condos on the north side of 11 Mile west of Lahser; Lochmoor, 34 detached condos on the south side of 10 Mile east of Telegraph; Parklane, 18 home sites on the east side of Inkster Road, between 11 and 12 Mile Roads; and Park Place at Town Center's Phase II, with 68 additional units on Evergreen Road.

Southfield is known for its excellent quality of life. The City's Department of Parks and Recreation offers more than 1,000 high-quality programs and services to both residents and business people of all ages and interests. Southfield highlighted the arts during Memorial Day weekend of 2004 with the Southfield Spring Art Fair on the front lawn of the municipal complex. The show was produced by the Michigan Guild of Artists and Artisans, one of the main producers of the renowned Ann Arbor Art Fair. The Southfield Philharmonic also added to the cultural arts in Southfield with several strong performances throughout the season. The recent renovation of Beech Woods Recreation Center continues to draw large increases in youth and adult recreation program registrations. Membership at Beech Woods Wellness Center also continues to rise following the renovation. Youth programs were also expanded to include programs for individuals with disabilities, specifically the Michigan Thunderbird wheelchair basketball program and the Mighty Oaks sports program.

The new Library services an average of 2,700 patrons each day. Its many amenities include an expanded 180,000 book collection; two computer labs; sophisticated computer network with hundreds of data drops; meeting rooms, two auditoriums; 16 group study rooms; three outdoor terraces; fireplaces on each level; the Bookends Café; and stunning architectural and interior design. The library has already received numerous regional and national awards for its innovative architecture, programs and services.

The library offers up to 20 computer classes every month ranging from Computer Fundamentals to Microsoft Word II for people at all levels of computer literacy. As more residents visit the library, so to has participation in library programs increased. The library had the largest number of participants in the Battle of the Books ever in 2004. Almost 300 fourth grade students on 40 different teams participated in the 4th Grade Battle of the Books; 500 fifth grade students on 52 different teams participated in the 5th Grade Battle; and 337 students on 45 teams participated in the Middle School Challenge. Additionally, over 1,400 spectators were in attendance over the course of these three events. The Family Dinner Theaters also continue to be a great family event with over 1200 patrons attending throughout the course of the program.

The Southfield Reads! community-wide initiative to promote literacy and learning encouraged reading among youth and adults. The challenge was for those living and working in the community to establish a habit of reading, with readers earning recognition and rewards for reaching various milestones throughout the program. Throughout the initiative, the community registered well over 100,000 books on the Southfield Reads! Web site.

Southfield continues to be a model of multiculturalism. As home to large concentrations of Chaldean (Catholic Iraqi), African-American, Jewish, Armenian, Russian Orthodox and Korean residents,

City of Southfield

Letter of Transmittal

Southfield is one of the most diverse communities in Michigan. Its large international business population, including significant numbers of Asian, Middle Eastern, African and European businesses, helps position it as a cosmopolitan center. Japanese businesses are prominent in the community, 42 in total, including Denso International America, Toyota Industries, Panasonic Automotive Electronics, Mitsubishi International and Mitsui & Co., among others. In 2003, Southfield became the corporate home of Wagon Engineering, an English-based division of Wagon Automotive; as well as Autoliv Electronics America, a Swedish conglomerate.

Southfield's many diverse cultures are supported by educational institutions, chambers of commerce, foreign trade offices and others, including Language Center International, American Academy of International Education, Dr. Martin Luther King, Jr. Task Force Committee, Focus on American and Arab Interests & Relations, French American Chamber of Commerce, Michigan Hispanic Chamber of Commerce, Philippine American Community, Korea Trade Center, Japan Business Society of Detroit and Trade Commission of Mexico. Southfield's elected leadership is equally diverse and helps assure Southfield remains a nationally-recognized multicultural model.

An international city bustling with people from a rich array of cultural, ethnic and religious backgrounds, Southfield's most recognizable landmarks include the gold-domed St. John's Armenian Church and the striking Congregation Shaarey Zedek, among the most beautiful examples of religious architecture in Michigan. The distinctive gold and black towers of Southfield Town Center, Southfield's signature landmark, are home to many of the international firms in the community. Dining out also offers a reminder of Southfield's position as a global city, with restaurateurs from around the world offering the best in Asian, Italian, African-American, Middle Eastern, Jewish and continental cuisine. Experiencing this multicultural environment makes youth and adults alike more at ease in the global village of the 21st Century, knowledgeable about cultures, customs and traditions worldwide, while promoting harmony and understanding among people of all backgrounds and heritages.

Southfield's modern infrastructure, diverse mix of residential and business cultures, emphasis on beautification and roadside appearance, and premier City services have created a statewide model of a successful community environment, helping provide a solid foundation for the City's continued growth and prosperity. The information and analysis presented in the following pages reflect the City's commitment to high standards of financial reporting and to Southfield's future vitality.

Appreciation is extended to the elected officials, department heads and other employees responsible for contributing to the City's sound financial position. Southfield is blessed with individuals who appreciate and respect principles of fiscal restraint and propriety, enabling the City to successfully address economic challenges. In particular, we acknowledge the special efforts of the Financial Services employees who contributed to the development of this report. The continuing support of Southfield's elected officials, who remain committed to fiscal integrity and financial leadership, is particularly appreciated.

Respectfully submitted,



Dale E. Iman
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Southfield,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

CITY OF SOUTHFIELD, MICHIGAN

-MAYOR-

Brenda L. Lawrence

-CITY COUNCIL-

Myron A. Frasier, President
Sylvia Jordan , President Pro Tem
Roy T. Bell
Donald F. Fracassi
Sidney Lantz
Joan Seymour
Kenson J. Siver

-CITY CLERK-

Nancy L. M. Banks

-CITY TREASURER-

Roman J. Gronkowski

-CITY ADMINISTRATOR-

Donald J. Gross (through June 30, 2004)
Dale E. Iman (effective July 1, 2004)

Report of Independent Auditors

Honorable Mayor and Members of City Council
City of Southfield, Michigan

In our opinion, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southfield, Michigan (the "City"), which collectively comprise the City's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. We also have audited the aggregate non-major governmental funds, the internal service fund type, and each fiduciary fund type as of and for the year ended June 30, 2004, as displayed in the City's basic financial statements. These financial statements are the responsibility of the City's management; our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 18-29 and the required supplementary information on pages 82-84 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying financial statements and supplemental data section are presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental data section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PricewaterhouseCoopers LLP

December 30, 2004

CITY OF SOUTHFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the City of Southfield's (the City's) financial performance, providing an overview of the activities for the fiscal year ending June 30, 2004. This analysis should be read in conjunction with the transmittal letter, beginning on page 1 of this report, and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-Wide:

- In total, the City's financial position experienced a slight decline during Fiscal Year 2004.
- Net assets (excluding component units) decreased by \$2.3 million, or 1.3%, from \$173.4 million to \$171.1 million
- Governmental activities net assets increased by \$5.6 million to \$118.7 million.
- Business-type activities net assets decreased by \$7.9 million to \$52.4 million.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported combined ending fund balance of \$37.8 million, with \$21.2 million being reserved, designated, or otherwise earmarked for specific purposes.
- The fiscal year 2004 governmental funds combined ending fund balance reflects an increase of \$1.0 million from the prior fiscal year governmental funds combined ending fund balance.
- This combined increase, however, is made up of a decrease in the General Fund ending balance of \$4.3 million, and an increase of \$5.3 million in the ending fund balance from the non-major governmental funds.
- The decrease in the General Fund balance was primarily due to budgeted draws for technological enhancements, early bond redemptions, low investment earnings due to market conditions and reduced revenue sharing from the State of Michigan. The increase in the non-major fund balance was primarily due to a sale of a Parks and Recreation building in the amount of \$3.3 million.

Capital and Long-term Debt Activities:

- The City issued \$4.9 million in new bonds during fiscal year 2004; the issue was to fund renovations to Fire Station No. 4 and refurbish the old Library Building. The City paid off \$2.7 million in bonds during fiscal year 2004.
- The City is \$355.0 million below its authorized debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City consists of the following components: 1) Introductory Section which includes the Transmittal Letter; 2) Financial Section which includes the Auditor's Report, the Management Discussion and Analysis, the Basic Financial Statements (government-wide financial statements, fund financial statements, notes to the financial statements), Required Supplementary Information such as a budget to actual comparison for the General Fund, additional Non-Required Information including combining financial statements for all non-major governmental funds and proprietary funds; and 3) Statistical Section.

Government-wide Financial Statements

The set of basic financial statements includes the Statement of Net Assets and the Statement of Activities, which report information about the City as a whole, and about its activities. These statements help the

City of Southfield

Management's Discussion and Analysis

Government-wide Financial Statements (continued)

reader to determine if the City of Southfield, in its entirety, is better or worse off as a result of this fiscal year's activities. These statements, which include all non-fiduciary assets and liabilities, are reported on the accrual basis of accounting, similar to a private business. This means revenues are accounted for when they are earned, and expenses are accounted for when an obligation is incurred; regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 32) presents all the City's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or declining.

The Statement of Activities (page 33) presents information showing how the City's net assets changed during fiscal year 2004. All changes in net assets are reported based on the period during which the underlying events giving rise to the change occurred, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

Governmental Activities - Taxes, charges for services, and intergovernmental revenue primarily fund these services. Most of the City's departments and operations are reported under these activities. **Business-type Activities** - These activities operate like private businesses. The City's Water and Sewer Fund charges fees to recover the cost of the services provided.

Discretely Presented Component Units - Component units are legally separate organizations for which the City Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Six discretely presented component units are included: the Local Development Finance Authority, the Tax Increment Finance Authority, the Economic Development Corporation, the Downtown Development Authority, the Brownfield Re-Development Authority and the Southfield Non Profit Housing Corporation.

As stated previously, the government-wide statements report on an accrual basis of accounting. However, the governmental funds report on a modified accrual basis. Under modified accrual accounting, revenues are recognized when they are available to pay obligations of the fiscal period, expenditures are recognized when they are due.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 37 and 39 the City presents reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

Capital assets used in government activities and depreciation expense are not reported on the government fund financial statements, however depreciation expense is reported on the government-wide statements. Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures on the government fund financial statements.

City of Southfield

Management's Discussion and Analysis

Government-wide Financial Statements (continued)

Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.

Long-term contingencies, such as reserves for sick and annual leave (compensated absences, etc.), appear as liabilities on the government-wide statements; however they will not appear on the fund statements unless current resources are used to pay a specific obligation. Bond and loan proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City's assets such as land, buildings and furniture and fixtures. These values are not included in the fund financial statements.

Fund Financial Statements

The fund financial statements, which begin on page 36, provide information on the City's significant funds - as a whole. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that is used to keep track of specific sources of funding and spending for a particular purpose. Funds are also utilized to track specific operations, these include the internal services funds (e.g., Motor Pool, Equipment Revolving, etc.) as well as the Water and Sewer enterprise fund.

The basic financial statements only report major funds separately as defined by the Government Accounting Standards Board (GASB). All other funds are classified as non-major funds. Detailed information on non-major funds can be found in other sections of this report.

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

Governmental Funds – Basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year, and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance programs. These funds are reported using the modified accrual basis of accounting as described above. Because this basis of accounting differs from the government-wide statements, additional information is provided reconciling the government fund statements to the government-wide statements. Governmental funds include the General Fund, as well as Special Revenue Funds, Capital Projects Funds and Debt Service Funds.

City of Southfield

Management's Discussion and Analysis

Fund Financial Statements (continued)

Proprietary Funds – Funds with a focus on operating income and cost recovery are reported in proprietary funds. Proprietary funds use the accrual basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. Enterprise funds report activities that provide supplies and services to the general public. The Water and Sewer Fund is the City's only enterprise fund. Internal Service funds report activities that provide supplies and services to the City's other operations, such as the Motor Pool fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Fiduciary Funds – The City acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The City's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 48. These funds, which include pension, VEBA, and agency funds are reported using the accrual basis of accounting. The government-wide statements exclude the fiduciary fund activities and balances because these assets are not available to fund current operations.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The notes can be found beginning on page 56 of this report.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information (RSI) which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund and the major governmental funds as well as pension trend data.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and are presented in single columns in the basic financial statements, but are not reported individually, as are the major funds, on the government-wide statements.

City of Southfield
Management's Discussion and Analysis
FINANCIAL ANALYSIS

As previously stated the City's combined net assets decreased by \$2.3 million over the course of this fiscal year's operations. The net assets of the governmental activities increased in the amount of \$5.6 million; the net assets of the business type activities decreased by \$7.9 million.

The following is a condensed Statement of Net Assets for the period ending June 30, 2004:

Net Assets June 30, 2004 (in millions of dollars)						
	Governmental Activities		Business Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
ASSETS						
Current and other assets	\$ 80.2	\$ 76.3	\$ 9.6	\$ 17.8	\$ 89.8	\$ 94.1
Capital and other Long term assets	<u>104.2</u>	<u>105.8</u>	<u>86.4</u>	<u>82.2</u>	<u>190.6</u>	<u>188.0</u>
Total assets	<u>184.4</u>	<u>182.1</u>	<u>96.0</u>	<u>100.0</u>	<u>280.4</u>	<u>282.1</u>
LIABILITIES						
Current liabilities	6.3	10.0	3.5	4.7	9.8	14.7
Other liabilities	<u>59.4</u>	<u>59.0</u>	<u>40.1</u>	<u>35.0</u>	<u>99.5</u>	<u>94.0</u>
Total liabilities	<u>65.7</u>	<u>69.0</u>	<u>43.6</u>	<u>39.7</u>	<u>109.3</u>	<u>108.7</u>
NET ASSETS						
Invested in capital assets net of related debt	51.8	48.5	47.5	48.8	99.3	97.3
Restricted	11.4	9.8			11.4	9.8
Unrestricted	<u>55.5</u>	<u>54.8</u>	<u>4.9</u>	<u>11.5</u>	<u>60.4</u>	<u>66.3</u>
Total Net Assets	<u>\$ 118.7</u>	<u>\$ 113.1</u>	<u>\$ 52.4</u>	<u>\$ 60.3</u>	<u>\$ 171.1</u>	<u>\$ 173.4</u>

City of Southfield
Management's Discussion and Analysis
Financial Analysis (continued)

The following is a condensed representation of financial information using the government-wide Statement of Activities and reflects the changes in the City's net assets during the fiscal year:

Changes in Net Assets
for the fiscal year ending June 30
(in millions of dollars)

	Governmental Activities		Business Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
REVENUES						
Program revenues						
Charges for services	\$ 16.0	\$ 13.3	\$ 23.6	\$ 25.9	\$ 39.6	\$ 39.2
Grants and contributions	4.2	3.6			4.2	3.6
General revenues						
Property taxes	54.9	53.5			54.9	53.5
Intergovernmental revenue	16.9	14.3			16.9	14.3
Investment earnings	0.4	1.9	0.2	0.2	0.6	2.1
Other	1.4	2.1		2.3	1.4	4.4
Total revenues	<u>93.8</u>	<u>88.7</u>	<u>23.8</u>	<u>28.4</u>	<u>117.6</u>	<u>117.1</u>
EXPENDITURES						
General government	10.7	9.4			10.7	9.4
Public safety	40.9	38.8			40.9	38.8
Highway and streets	9.9	16.1			9.9	16.1
Public services	0.6	1.0			0.6	1.0
Sanitation	3.4	3.3			3.4	3.3
Community improvement	1.1	1.7			1.1	1.7
Social services	3.1	2.9			3.1	2.9
Culture and recreation	16.5	14.4			16.5	14.4
Other	8.7	5.3			8.7	5.3
Water and sewer			23.2	22.6	23.2	22.6
Interest on long term debt	2.3	2.6			2.3	2.6
Total expenditures	<u>97.2</u>	<u>95.5</u>	<u>23.2</u>	<u>22.6</u>	<u>120.4</u>	<u>118.1</u>
Excess (deficiency) before transfers	(3.4)	(6.8)	0.6	5.8	(2.8)	(1.0)
Transfers in	16.5	7.1			16.5	7.1
Transfers out	(7.5)	(5.8)	(8.5)	(1.6)	(16.0)	(7.4)
Increase (decrease) in net assets	5.6	(5.5)	(7.9)	4.2	(2.3)	(1.3)
Beginning net assets	113.1	118.6	60.3	56.1	173.4	174.7
Ending net assets	<u>\$ 118.7</u>	<u>\$ 113.1</u>	<u>\$ 52.4</u>	<u>\$ 60.3</u>	<u>\$ 171.1</u>	<u>\$ 173.4</u>

City of Southfield

Management's Discussion and Analysis

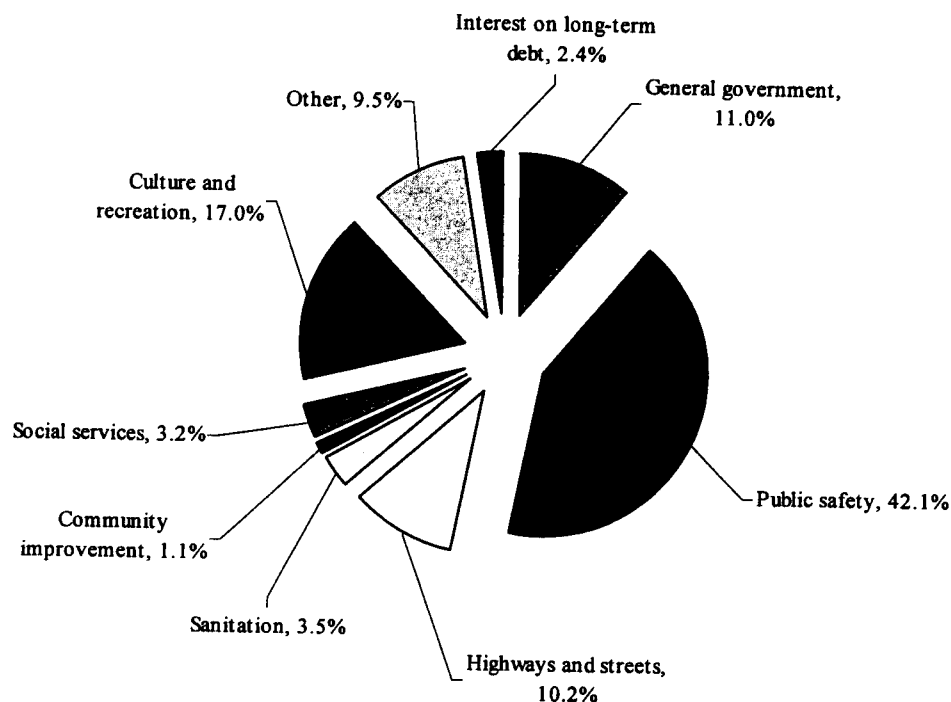
Financial Analysis (continued)

Governmental Activities:

The result of 2004 fiscal year's governmental activity was an increase of \$5.6 million in net assets to total net assets of \$118.7 million. Of this total, \$51.8 million is invested in capital assets less related debt, \$11.4 million is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the government. The balance of \$55.5 million is listed as unrestricted, having no legal commitment. However, it should be noted that of the total unrestricted amount, \$13.8 million is reserved, designated, or otherwise earmarked for specific purposes. Refer to Note 4. A. on page 72, for a complete list of designations.

The following chart depicts expenditures of the governmental activities for the fiscal year:

GOVERNMENTAL EXPENDITURES



Governmental activity expenses for the fiscal year increased by \$1.7 million. Public Safety is the largest governmental activity, expending \$40.9 million of the governmental activities total expenses of \$97.2 million. It comprises 42.1% of total governmental expenses. This activity increased by 5.4%, as some renovation projects were completed last fiscal year and the City attempts to constrain personnel costs. Cultural and recreation is the second largest governmental activity with a total expense of \$16.5 million, expending 17.0% of total governmental expenses. This activity increased by 14.6% as operating costs for the new Library were expensed.

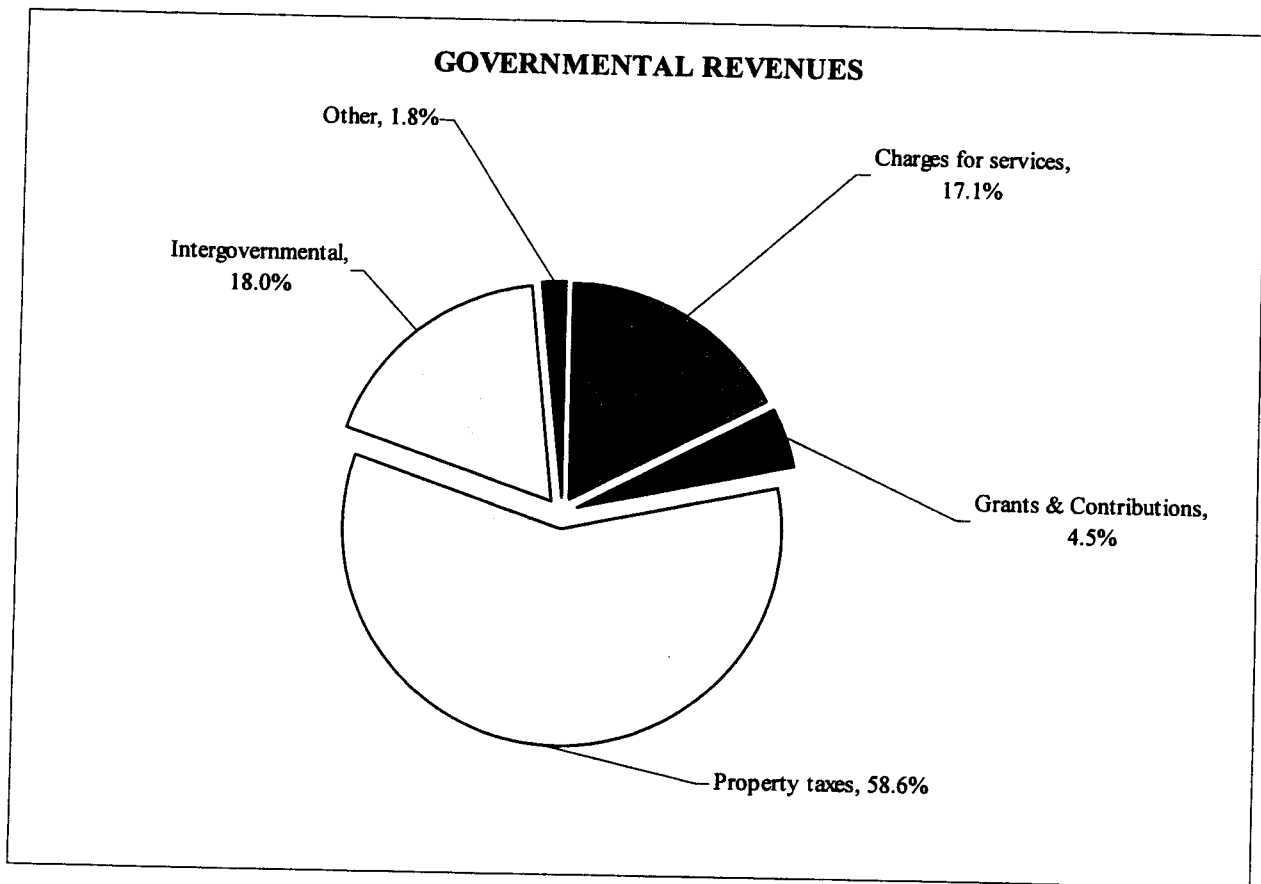
City of Southfield

Management's Discussion and Analysis

Governmental Activities (continued)

General government is the third largest governmental activity with a total expenditure of \$10.7 million, expending 11.0% of total governmental expenses. This activity increased 13.8%. The General government expenses increased due to a decrease in revenues in the internal services funds which are netted against expenses for full accrual. These three categories expend over 70.1% of total governmental activity expenses.

The following chart depicts revenues of the governmental activities for the fiscal year:



In total, governmental activities' revenue collections increased 5.7% in fiscal year 2004 from fiscal year 2003. This increase is derived from increases in taxes, fines and forfeitures, intergovernmental and other revenues, which contains a gain from the sale of a building. Property tax revenue is the largest source of support for the governmental activities, however it is not assigned to any particular function. The City's operating millage rate is 16.1 mills. Property tax revenue generated \$54.9 million in 2004. It represented 58.6% of all available sources of revenue for governmental activities. The 2.6% increase over 2003 is explained by a 1.5% increase in taxable assessed values allowed by proposal A and a 1.1% increase in tax rates due to the unlimited fire and police pension levy. Intergovernmental revenues are the second largest source of governmental activity revenue. State shared revenues, which are constitutionally and statutorily provided by the State of Michigan, represents the largest portion of intergovernmental revenues.

City of Southfield

Management's Discussion and Analysis

Governmental Activities (continued)

Intergovernmental revenues were received in the amount of \$16.9 million. It represented 18% of all available sources of revenue for governmental activities. The 18.2% increase over 2003 is explained by several one time intergovernmental grants including a State grant for \$1.8 million to purchase property and \$.8 million for road projects. Over 76.6% of the governmental activities are supported by these two revenue sources.

Business-type Activities:

Net assets in business-type activities decreased by \$7.9 million during Fiscal Year 2004. Overall charges for services decreased from 2003 by 8.9%. This decrease is reflected in charges for services in the amount of \$2.3 million. Operating expenses increased by 2.7% and is reflected in \$.6 million in service installation. The majority of this decrease is in transfer to fund drains through the County of Oakland.

Of the total \$52.4 million of net assets in the business type activities, \$4.9 million is reported as unrestricted.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUND

General Fund

The General Fund is the central operating fund of the City of Southfield. Unless otherwise required by statute, contractual agreement or policy, all revenues and expenditures are recorded in the General Fund. As of June 30, 2004, the General Fund reported a fund balance of \$16.7 million. This amount is a reduction of \$4.3 million from the prior June 30. Of the total fund balance, \$13.5 million is reserved, designated or earmarked for specific purposes. These designations include \$3.8 million for subsequent year's expenditure, \$1.2 million for economic development, \$1.4 for equalization and \$1.0 million for technological improvements.

General Fund Budgetary Highlights:

The City of Southfield's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is frequently amended during the course of the fiscal year to reflect changing operational demands.

The General Fund revenue budget was increased by \$1.9 million during fiscal year 2004, to a final budgeted amount of \$58.9 million. This action was taken to recognize an intergovernmental grant within the year to purchase property. General Fund revenue totaled \$57.8 million, \$1.1 million below the final amended budget, reflecting variances in primarily two areas. State Shared revenues shortfalls, resulting from sluggish economic conditions in the State of Michigan, were included within the intergovernmental revenue category which incurred a negative variance of \$427,734. Secondly, investment earnings were \$723,490 below budget due to the technical reporting requirements of the Governmental Accounting Standards Board (GASB) Statement 31.

It is important to note that GASB 31 is based on a "fair value" reporting model. At the core of this "fair value" concept is the requirement that on June 30 of each fiscal year we are required to state investment values in "the amount at which an investment could be exchanged in a current transaction between willing parties." This standard can cause wide fluctuations in annual investment earnings due to timing considerations; specifically, the mix of interest rates and maturities on investments in the portfolio on June 30, the interest rate environment in the general economy on June 30, and actual or perceived trends

City of Southfield

Management's Discussion and Analysis

Financial Analysis Of The City's Major Fund (continued)

affecting future interest rates. All of these considerations affect the "fair value" assigned to the investments each June 30, and the mix resulted in a particularly low "fair value" at the point in time of June 30, 2004. The GASB 31 approach is ultra-cautious, from a theoretical perspective, in that it gives the reader the values that could be realized if the entity were to liquidate its investments (go "out of business" or suffer a major unanticipated cash flow crisis) on June 30.

However, the City of Southfield routinely holds investments to maturity and does not liquidate its investments at June 30. Thus, the stated interest rates on the investments will, in fact, be realized at maturity. Accordingly, the annual fluctuations in the investment earnings patterns should not be of major concern. A seven-year look is useful in this context, as GASB 31 took effect beginning with the City's 1998 fiscal year. Over our seven-year history under GASB 31, including the year fiscal ended June 30, 2004, the combined General Fund investment earnings budgeted totaled \$10,785,086 and the combined actual earnings recorded were \$11,594,533, yielding a seven-year cumulative positive variance actual-to-budget of \$809,447 or 7.5%. These multi-year results are indicative of the fact that the City has traditionally budgeted investment income cautiously, and that anticipated returns are, in fact, generally realized.

The City's expenditure budget was increased by \$2.6 million during fiscal year 2004. A majority of the amendments were related to land and capital purchases. Actual expenditures for fiscal year 2004 were \$61.1 million which was \$2.1 million below budget. This total is comprised mostly by savings from a cost reduction program including hiring freeze and restriction on overtime usage began last fiscal year and adhered to this fiscal year because of the local economy.

In summary, the fiscal year 2004 Final Amended Budget anticipated using \$5.2 million of prior year's fund balance. This primarily included a budgeted fund balance use of \$3.0 million for operations and \$1.6 million for capital and technology improvements. However, due primarily to cost reductions, actual use of fund balance was \$4.3 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At the end of Fiscal Year 2004, the City of Southfield had invested \$183.4 million, net of accumulated depreciation, in a broad range of capital assets. The most significant changes in capital assets relates to 1) \$2.4 million in land acquisitions, 2) \$4.2 million for the West side Pollution control project which ultimately will connect that portion of the City to its water and sewer systems and is substantially completed as of June 2004 and a 3) (\$1.9) million disposal of the Centre for the Arts building sold in October 2003. Refer to Note 3. C. on page 66 & 67 for additional capital asset information.

Long Term Debt – At the end of 2004, the City of Southfield had \$82.5 million in bonds outstanding. In the current fiscal year, the City borrowed \$4.9 million using a Limited Tax general Obligation Bond for renovation of a fire station and the building formerly occupied by the Library. In addition, it called the \$1.4 million Limited Tax General Obligation bonds sold in 1991. The amount of bonds with limited taxing authority in 2004 is \$34.5 million.

Outstanding debt of \$5.0 million was paid during fiscal year 2004, including \$2.6 million in limited taxing authority bonds.

City of Southfield

Management's Discussion and Analysis

Capital Assets And Debt Administration (continued)

A more detailed depiction of the City's long-term debt obligations is presented in Note 3.D. on page 68 & 69 to the financial statements.

Bond Ratings – The City's unlimited and limited tax general obligations bond rating from Standard and Poor's is AA+. Moody's Investors Services rating for the City's unlimited tax general obligation bonds is Aa2, and its limited tax general obligation bond rating is Aa3.

ECONOMIC OUTLOOK

At June 30, 2004, the General Fund reserved and unreserved fund balance total stood at \$16.7 million. After adjusting for the \$3.8 million reserved for the subsequent year's expenditures, the total is \$12.9 million or approximately 20% of the subsequent year's General Fund operating budget. City leaders are committed to maintaining this strong financial posture into the future and consider budgetary issues from a longer-range/multi-year perspective.

Accordingly, within the 2004-05 budget process, City Council adopted, by reference, a 5-Year Fund Balance Stabilization Plan that is designed to end the City's use of fund balance to support General Fund operations in 5-years or less. At the end of the period, fund balance levels are anticipated to stabilize at a healthy level (at least 12%). In each succeeding year under the plan, the use of fund balance will be reduced by about 40%, reaching the point where in the year 2009-10, or before, no fund balance will be utilized and the fund balance level will have been stabilized.

In November of 2004, Moody's Investors Services reviewed this plan, along with other materials and interview information provided, and reconfirmed the City's strong bond ratings: Aa2 Unlimited Tax Rating and Aa3 Limited Tax Rating. The Moody's review team indicated that the existence of a formal/written fund balance strategy, and its inclusion within the formal adoption process for the 2004-05 budget, were strong points in favor of the future financial viability of the City of Southfield.

As we consider the budget process for fiscal year 2005-06, the 5-Year Fund Balance Stabilization Plan will provide a major focus and a benchmark to be achieved in the overall process. Among the challenges we will be facing is a continuing sluggish Michigan economy, a weak state shared revenue picture, near record low interest rates affecting investment income, and legal limits on the amount of revenue growth that may be anticipated from growth in the property tax rolls.

In order to face these challenges, we will focus on:

- Development of a reorganization plan to streamline reporting relationships, reengineer work processes, and squeeze maximum efficiencies from existing resources.
- Tight position control and an emphasis on reducing positions, by attrition, without affecting essential on-the-street services.
- Review of fee structures and new fee opportunities.
- Exploring opportunities for providing services to other communities.

City of Southfield

Management's Discussion and Analysis

Economic Outlook (continued)

Should these and like options prove insufficient to overcome the known and evolving challenges; then, and only then, would the City consider exploring voter-approved revenue enhancements. Such action would certainly be initiated with great caution and would include heavy citizen input and involvement. In any event, City leadership is committed to taking whatever action is necessary to maintain high community standards and to protect the fiscal integrity of the City and its future.

CONTACTING THE CITY'S DEPARTMENT OF MANAGEMENT AND BUDGET

This financial report is designed to provide our residential and corporate taxpayers, investors, creditors, and any other interested parties with a general overview of the City's accountability for the financial resources under its purview and to demonstrate the City's commitment to proper standards of financial reporting. If there are questions about this report, or further information is needed, please contact James B. Pierce, Deputy Director of Financial Services, at (248) 796-5212.

City of Southfield
Government-Wide Statement of Net Assets
June 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental	Proprietary
				Component Units	Nonprofit Housing Corporation *
ASSETS					
Cash and cash equivalents	\$ 21,206,876	\$ 1,194,626	\$ 22,401,502	\$ 5,537,855	\$ 7,234,946
Investments	45,306,939	2,004,717	47,311,656		
Receivables, net	4,874,327	5,758,929	10,633,256	623,316	177,293
Prepays	2,133,736	1,022	2,134,758		229,866
Due from fiduciary	3,221,785		3,221,785	545	
Due from other governmental units	2,739,097	671,288	3,410,385		
Internal balances (see note 4. G.)	145,611	(145,611)			
Inventories	536,422	165,329	701,751		
Noncurrent assets	7,173,518		7,173,518		
Capital assets:					
Non-depreciable	11,990,726		11,990,726		
Depreciable-net	85,044,571	86,413,226	171,457,797	456,150	11,541,823
Total assets	<u>184,373,608</u>	<u>96,063,526</u>	<u>280,437,134</u>	<u>6,617,866</u>	<u>19,183,928</u>
LIABILITIES					
Accounts payable and other current liabilities	6,292,977	3,495,227	9,788,204	2,466,132	762,685
Matured bonds and interest payable					
Interest payable	349,461	251,677	601,138		54,622
Due to fiduciary	377,396	12,769	390,165	46,577	
Deferred revenue	4,248,830	709,753	4,958,583		
Noncurrent liabilities:					
Due within one year	1,897,041	2,370,368	4,267,409		
Compensated absences	9,111,086		9,111,086		
Due in more than one year	<u>43,378,547</u>	<u>36,799,359</u>	<u>80,177,906</u>	<u>6,652,437</u>	<u>13,046,152</u>
Total liabilities	<u>65,655,338</u>	<u>43,639,153</u>	<u>109,294,491</u>	<u>9,165,146</u>	<u>13,863,459</u>
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	51,759,709	47,518,463	99,278,172	(279,505)	(1,504,329)
Restricted	11,467,572		11,467,572		
Unrestricted	<u>55,490,989</u>	<u>4,905,910</u>	<u>60,396,899</u>	<u>(2,267,775)</u>	<u>6,824,798</u>
Total net assets (deficit)	<u>\$ 118,718,270</u>	<u>\$ 52,424,373</u>	<u>\$ 171,142,643</u>	<u>\$ (2,547,280)</u>	<u>\$ 5,320,469</u>

The notes to the financial statements are an integral part of this statement.

* Reported as of December 31, 2003

City of Southfield
Government-wide Statement of Activities
For the Year Ended June 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			Component Units	
				Governmental Activities	Business-type Activities	Total	Governmental	Proprietary
							Component Units	Nonprofit Housing Corporation *
Primary government:								
Governmental activities:								
General government	\$ 10,654,412	\$ 1,263,108		\$ (9,391,304)		\$ (9,391,304)		
Public safety	40,914,329	5,214,681	\$ 475,787	(35,223,861)		(35,223,861)		
Highways and streets	9,993,346			(9,993,346)		(9,993,346)		
Public services	666,943	738,010		71,067		71,067		
Sanitation	3,384,947	2,796,697		(588,250)		(588,250)		
Community improvement	1,097,697			(1,097,697)		(1,097,697)		
Social services	3,070,466		3,750,455	679,989		679,989		
Culture and recreation	16,469,381	5,947,412		(10,521,969)		(10,521,969)		
Other	8,732,574			(8,732,574)		(8,732,574)		
Interest on long-term debt	2,252,282			(2,252,282)		(2,252,282)		
Total governmental activities	97,236,377	15,959,908	4,226,242	(77,050,227)	-	(77,050,227)	-	-
Business-type activities								
Water and Sewer	23,168,398	23,647,907			479,509	479,509		
Total primary government	\$ 120,404,775	\$ 39,607,815	\$ 4,226,242	\$ (77,050,227)	\$ 479,509	\$ (76,570,718)	-	-
Component units:								
Governmental component units:								
Highways and streets	\$ 127,245						\$ (127,245)	
Community improvement	794,536	\$ 308,949					(485,587)	
Interest	34,993						(34,993)	
Other	77,485						(77,485)	
Total governmental component units	1,034,259	308,949	-	-	-	-	(725,310)	-
Proprietary component unit:								
Southfield non-profit housing								174,596
Total component units	\$ 1,034,259	\$ 308,949	-	-	-	-	\$ (725,310)	\$ 174,596
General revenues:								
Property taxes				54,873,260		54,873,260	1,354,395	
Special assessments				256,106		256,106		
Rent-interfund				84,102		84,102		
Intergovernmental				16,924,810		16,924,810		
Contributions and donations				164,355		164,355		
Unrestricted investment earnings				391,341	174,388	565,729	87,584	373,777
Other				932,266		932,266	7,542	(15,295)
Transfers in				16,559,101	10,607	16,569,708		
Transfers out				(7,519,798)	(8,553,173)	(16,072,971)		
Total general revenues and transfers				82,665,543	(8,368,178)	74,297,365	1,449,521	358,482
Change in net assets				5,615,316	(7,888,669)	(2,273,353)	724,211	533,078
Net assets - beginning				113,102,954	60,313,042	173,415,996	(3,271,491)	4,787,391
Net assets - ending				\$ 118,718,270	\$ 52,424,373	\$ 171,142,643	\$ (2,547,280)	\$ 5,320,469

The notes to the financial statements are an integral part of this statement.

* Audited as of 12/31/03

City of Southfield
Balance Sheet
Governmental Funds
June 30, 2004

	Major Fund	Non-Major Funds	
		Other	Total
	General	Governmental	Governmental
		Funds	Funds
ASSETS			
Cash and cash equivalents	\$ 3,016,930	\$ 14,676,045	\$ 17,692,975
Investments	8,968,605	12,509,366	21,477,971
Receivables (net)	3,319,110	2,410,907	5,730,017
Prepays	854,630	114,104	968,734
Due from other funds	4,915,442	731,601	5,647,043
Due from other governmental units	1,209,081	1,530,016	2,739,097
Inventories	229,867		229,867
Total assets	\$ 22,513,665	\$ 31,972,039	\$ 54,485,704
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,749,822	1,578,461	3,328,283
Accrued payroll	1,155,546	423,705	1,579,251
Accrued compensated absences	619,081	78,076	697,157
Due to other funds	331,586	2,689,403	3,020,989
Deferred revenue	1,787,831	2,460,999	4,248,830
Other short-term liabilities	128,011	50,965	178,976
Long-term advances from local improvement revolving fund		3,630,612	3,630,612
Total liabilities	5,771,877	10,912,221	16,684,098
Fund balances:			
Reserved for:			
Encumbrances	117,690	1,586,220	1,703,910
Debt service		1,821,638	1,821,638
Subsequent year's expenditures	3,838,808		3,838,808
Specific programs	9,575,084	4,172,669	13,747,753
Capital projects reserve		61,000	61,000
Unreserved, reported in:			
General fund	3,210,206		3,210,206
Special revenue funds		9,275,859	9,275,859
Capital projects funds		4,142,432	4,142,432
Total fund balances	16,741,788	21,059,818	37,801,606
Total liabilities and fund balances	\$ 22,513,665	\$ 31,972,039	\$ 54,485,704

The notes to the financial statements are an integral part of this statement.

City of Southfield
Reconciliation of the Balance Sheet -
Governmental Funds to the Government-wide
Statement of Net Assets
June 30, 2004

Fund balance for governmental activities	\$ 37,801,606
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Amounts reported for governmental activities
in the statement of net assets are different
because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	89,230,186
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Other long-term assets are not available to pay
for current-period expenditures and, therefore
deferred in the funds:

Accrued interest payable	(349,461)
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Compensated absences - long-term	(8,504,517)
----------------------------------	-------------

Internal service funds are used by management to charge the costs of maintaining facilities equipment and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	45,809,427
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(45,268,971)</u>
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Government-wide net assets of governmental activities	\$ <u>118,718,270</u>
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The notes to the financial statements are an integral part of this statement.

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2004

	Major Fund	Non-Major Funds	
	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 37,317,119	\$ 17,556,141	\$ 54,873,260
Special assessments		256,106	256,106
Rent-interfund		84,102	84,102
Charges for services	1,232,859	3,607,910	4,840,769
Sanitation	2,796,697		2,796,697
Licenses and permits	2,139,257		2,139,257
Fines and forfeitures	3,254,901	399,700	3,654,601
Franchise fees		794,955	794,955
Intergovernmental	10,370,692	10,780,360	21,151,052
Contributions and donations		164,355	164,355
Investment earnings	85,596	305,745	391,341
Other	619,116	3,655,779	4,274,895
Total revenues	57,816,237	37,605,153	95,421,390
EXPENDITURES			
Current:			
General government	10,307,872	2,873,128	13,181,000
Public safety	39,991,020	922,551	40,913,571
Highways and streets		9,938,064	9,938,064
Public services	666,943		666,943
Sanitation	3,384,947		3,384,947
Community improvement		1,097,284	1,097,284
Social services	392,866	2,677,600	3,070,466
Culture and recreation		16,075,431	16,075,431
Other		2,147,253	2,147,253
Insurance and bonds	709,707		709,707
Unallocated costs	5,694,201		5,694,201
Debt service:			
Principal retirement		2,948,637	2,948,637
Interest and fiscal charges		2,323,407	2,323,407
Total expenditures	61,147,556	41,003,355	102,150,911
Deficiency of revenues under expenditures	(3,331,319)	(3,398,202)	(6,729,521)
OTHER FINANCING SOURCES (USES)			
Transfers in	376,278	9,972,533	10,348,811
Transfers out	(1,381,279)	(6,138,519)	(7,519,798)
Discount on long-term debt		(48,829)	(48,829)
Proceeds from long-term debt		4,900,000	4,900,000
Total other financing sources (uses)	(1,005,001)	8,685,185	7,680,184
Net change in fund balances	(4,336,320)	5,286,983	950,663
Fund balances - beginning	21,078,108	15,772,835	36,850,943
Fund balances - ending	\$ 16,741,788	\$ 21,059,818	\$ 37,801,606

The notes to the financial statements are an integral part of this statement.

City of Southfield

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities For the Year Ended June 30, 2004

Net change in fund balances – total governmental funds	\$ 950,663
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,242,108
Decrease to other revenues for sale of building, net of depreciation	(1,609,000)
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets. Long-term debt for capital assets is a reduction of net assets however, a reduction of the debt increases net assets. This is the amount of principal paid on long-term debt.	2,948,637
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The amount of expenditures for accumulated compensated absences is reported here.	214,203
Internal Service funds are used by management to charge the costs of certain activities, such as motor pool, and equipment replacement, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	438,461
Current year correction of debt	6,210,290
Proceeds from long-term debt net of discount	(4,851,171)
Decrease in accrued interest payable on long-term debt	<u>71,125</u>
Change in net assets government-wide statement of governmental activities	\$ <u>5,615,316</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-type Activities - Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,194,626	\$ 3,513,901
Investments	2,004,717	23,828,968
Receivables (net)	5,758,929	294,952
Prepays	1,022	14,360
Due from other funds	11,094	539,709
Due from other governmental units	671,288	
Inventory	165,329	306,555
Total current assets	<u>9,807,005</u>	<u>28,498,445</u>
Noncurrent assets:		
Long-term advances to other funds		3,630,612
Long-term advances to component units		7,131,724
Long-term advances to employees		41,794
Total noncurrent assets	<u>-</u>	<u>10,804,130</u>
Capital assets:		
Transmission mains	112,300,454	
Machinery and equipment	1,224,181	23,631,382
Total capital assets	<u>113,524,635</u>	<u>23,631,382</u>
Less accumulated depreciation	(27,111,409)	(15,826,271)
Net capital assets	<u>86,413,226</u>	<u>7,805,111</u>
Total assets	<u>96,220,231</u>	<u>47,107,686</u>
LIABILITIES		
Current liabilities:		
Accounts payable	3,255,048	346,839
Deposits and escrow	123,225	
Accrued payroll	82,341	116,109
Accrued compensated absences	34,613	46,362
Due to other funds	169,474	175,763
Deferred revenue	709,753	
Interest payable	251,677	
Revenue bonds payable	2,370,368	
Total current liabilities	<u>6,996,499</u>	<u>685,073</u>
Noncurrent liabilities:		
Accrued compensated absences	274,964	606,569
Revenue bonds payable	36,524,395	
Capital lease payable		6,617
Total noncurrent liabilities	<u>36,799,359</u>	<u>613,186</u>
Total liabilities	<u>43,795,858</u>	<u>1,298,259</u>
NET ASSETS		
Invested in capital assets, net of related debt	47,518,463	7,798,494
Unrestricted	4,905,910	38,010,933
Total net assets	<u>\$ 52,424,373</u>	<u>\$ 45,809,427</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield**Statement of Revenues, Expenses, and Changes in Fund Net Assets****Proprietary Funds****For the Year Ended June 30, 2004**

	Business-type Activities - Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for consumption and service:		\$ 9,968,258
Water and sewage charges	\$ 22,750,470	
Installation charges	171,731	
Interest and penalties	670,813	
Other	54,893	811,206
Total operating revenues	<u>23,647,907</u>	<u>10,779,464</u>
OPERATING EXPENSES		
Administration	2,709,035	2,297,745
Equipment and facility operation		5,271,653
Transmission and distribution	17,780,049	
Service installation and meter reading	909,940	
Depreciation	1,769,374	2,079,459
Other		401,313
Total operating expenses	<u>23,168,398</u>	<u>10,050,170</u>
Operating income (loss)	479,509	729,294
NONOPERATING REVENUES		
Gain on disposition of assets		13,778
Investment income	174,388	192,126
Total nonoperating revenue	<u>174,388</u>	<u>205,904</u>
Income (loss) before transfers	653,897	935,198
OTHER FINANCING SOURCES (USES)		
Transfers in	10,607	70,731
Transfers out	(8,553,173)	(567,468)
Total other financing uses	<u>(8,542,566)</u>	<u>(496,737)</u>
Change in net assets	(7,888,669)	438,461
Total net assets - beginning	<u>60,313,042</u>	<u>45,370,966</u>
Total net assets - ending	\$ <u>52,424,373</u>	\$ <u>45,809,427</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from users	\$ 25,269,728	\$ 13,242,255
Cash paid to employees	(2,138,166)	(3,356,060)
Cash paid to suppliers	(19,835,714)	(4,951,545)
Net cash provided by operating activities	<u>3,295,848</u>	<u>4,934,650</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	10,607	70,731
Transfers out	(8,553,173)	(567,468)
Net cash used in noncapital and related financing activities	<u>(8,542,566)</u>	<u>(496,737)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment		(1,300,142)
Proceeds from disposals/retirements		33,400
System improvements	(5,974,640)	
Net proceeds from sale of revenue bonds	3,893,304	
Net cash used in capital and related activities	<u>(2,081,336)</u>	<u>(1,266,742)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	174,388	198,932
Net cash provided by investing activities	<u>174,388</u>	<u>198,932</u>
Net increase (decrease) in cash, cash equivalents and investment	(7,153,666)	3,370,103
Cash, cash equivalents and investments, beginning of year	10,353,009	23,972,766
Cash, cash equivalents and investments, end of year	<u>\$ 3,199,343</u>	<u>\$ 27,342,869</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Net income (loss)	\$ 653,897	\$ 935,198
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	1,769,374	2,079,459
Gain or (Loss) from disposal		(13,778)
Interest received	(174,388)	(192,126)
Other receivables	1,481,970	(59,660)
Prepays	(1,022)	(6,839)
Due from other funds	5	319,502
Inventory	140,868	30,151
Long-term advances		2,111,194
Long-term advances to component units		67,896
Long-term advances to employees		547
Accounts payable	(94,822)	(524,154)
Interest payable	38,658	
Accrued payroll	39,123	(59,067)
Accrued compensated absences	22,087	109,587
Other liabilities	6,906	
Long-term debt		(30,986)
Due to other funds	(586,808)	167,726
Net cash provided by operating activities	<u>\$ 3,295,848</u>	<u>\$ 4,934,650</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Pension (and Other Post-Employment Benefits) Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 9,695,816	\$ 3,321,789
Investments, at fair value:		
Government obligations	34,384,480	2,857,226
Corporate bonds	44,966,966	
Common stock	178,127,944	
Real estate and other	17,994,491	
Total investments	<u>275,473,881</u>	<u>2,857,226</u>
Receivables, net	359,935	40,923
Due from other funds	121,130	362,915
Total assets	<u>285,650,762</u>	<u>6,582,853</u>
LIABILITIES		
Accounts payable	528,501	442,108
Deposits and escrow		3,208,336
Due to other funds	1,078,181	2,191,452
Due to other governmental units		740,957
Total liabilities	<u>1,606,682</u>	<u>6,582,853</u>
NET ASSETS		
Held in trust for post- retirement benefits	\$ <u>284,044,080</u>	\$ <u>-</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2004

	Pension (and Other Post-Employment Benefits) Trust Funds
ADDITIONS	
Contributions:	
Plan members	\$ 808,359
Employer	4,800,441
Total contributions	<u>5,608,800</u>
Investment earnings:	
Net increase in fair value of investments	16,215,076
Interest	5,773,386
Dividends	1,915,525
Realized gain on sale of investments	12,907,939
Total investment earnings	<u>36,811,926</u>
Less investment expense:	
Investment management fee	936,704
Custodian fees	131,154
Total investment expense	<u>1,067,858</u>
Net investment earnings	<u>35,744,068</u>
Total additions	<u>41,352,868</u>
DEDUCTIONS	
Benefits	11,559,575
Health care expense	2,885,984
Administrative expense	423,783
Total deductions	<u>14,869,342</u>
Net increase	26,483,526
Net assets - beginning	<u>257,560,554</u>
Net assets - ending	<u><u>\$ 284,044,080</u></u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2004

	Governmental						Proprietary	
	Local Development Finance Authority	Tax Increment Finance Authority	Economic Development Corporation	Downtown Development Authority	Brownfield Re-development Authority	Sub-total	Nonprofit Housing Corporation As of 12/31/03	Totals
ASSETS								
Cash and cash equivalents	\$ 848,923	\$ 3,392,467	\$ 176,470	\$ 1,119,832	\$ 163	\$ 5,537,855	\$ 7,234,946	\$ 12,772,801
Receivables:								
Accrued interest	312	21,237	1,344	8,998		31,891		31,891
Other	10,389	500,479	400	72,357	7,800	591,425	177,293	768,718
Prepays							229,866	229,866
Due from primary government	545					545		545
Total current assets	860,169	3,914,183	178,214	1,201,187	7,963	6,161,716	7,642,105	13,803,821
Capital assets:								
Land, Building and improvements				624,376		624,376	17,106,200	17,730,576
Machinery and equipment				77,070		77,070	133,506	210,576
Total capital assets	-	-	-	701,446	-	701,446	17,239,706	17,941,152
Less accumulated depreciation				(245,296)		(245,296)	(5,697,883)	(5,943,179)
Net capital assets	-	-	-	456,150	-	456,150	11,541,823	11,997,973
Total assets	860,169	3,914,183	178,214	1,657,337	7,963	6,617,866	19,183,928	25,801,794
LIABILITIES								
Accounts payable	2,575	3,490	748	14,547	3,359	24,719	139,210	163,929
Accrued payroll	1,793	403	448	6,806		9,450	13,965	23,415
Accrued compensated absences	45,151			12,322		57,473		57,473
Due to primary government	417	617	618	44,925		46,577		46,577
Due to other governmental units		2,374,490				2,374,490		2,374,490
Current portion of long-term advances							67,002	67,002
Current portion of long-term debt							423,524	423,524
Interest payable							54,622	54,622
Other liabilities							118,984	118,984
Total current liabilities	49,936	2,379,000	1,814	78,600	3,359	2,512,709	817,307	3,330,016
Noncurrent liabilities:								
Long-term advances from local improvement revolving fund	5,916,782			735,655		6,652,437	412,284	7,064,721
Long-term debt							12,633,868	12,633,868
Total noncurrent liabilities	5,916,782	-	-	735,655	-	6,652,437	13,046,152	19,698,589
Total liabilities	5,966,718	2,379,000	1,814	814,255	3,359	9,165,146	13,863,459	23,028,605
NET ASSETS								
Invested in capital assets, net of related debt	(5,406,549)	1,535,183	176,400	(279,508)	4,604	(279,505)	(1,504,329)	(1,783,834)
Unrestricted	(5,406,549)	1,535,183	176,400	1,122,587		(2,267,775)	6,824,798	4,557,023
Total net assets	\$ (5,406,549)	\$ 1,535,183	\$ 176,400	\$ 843,082	\$ 4,604	\$ (2,547,280)	\$ 5,320,469	\$ 2,773,189

The notes to the financial statements are an integral part of this statement.

City of Southfield

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Discretely Presented Component Units For the Year Ended June 30, 2004

	Governmental					Proprietary	
	Local Development Finance Authority	Tax Increment Finance Authority	Economic Development Corporation	Downtown Development Authority	Brownfield Re-development Authority	Nonprofit Housing Corporation As of 12/31/03	Totals
OPERATING REVENUES							
Taxes	\$ 869,523			\$ 484,872	\$ 1,354,395	\$ 1,354,395	
Charges for services				300,149	308,949	3,365,477	3,674,426
Contributions						133,168	133,168
Other				7,542	7,542	61,238	68,780
Total operating revenues	869,523	-	-	792,563	8,800	3,559,883	5,230,769
OPERATING EXPENSES							
Current:							
Administration						2,317,090	2,317,090
Highways & streets	127,245						127,245
Community improvement	60,554	\$ 28,555	\$ 13,489	688,487	3,451	794,536	794,536
Interest	34,993					34,993	739,665
Depreciation				39,563		39,563	403,088
Other	8,541	35	21,613		7,733	37,922	37,922
Total operating expenses	231,333	28,590	35,102	728,050	11,184	3,385,287	4,419,546
Operating income (loss)	638,190	(28,590)	(35,102)	64,513	(2,384)	636,627	811,223
NONOPERATING REVENUES (EXPENSE)							
Loss on disposition of assets						(15,295)	(15,295)
Investment income	2,467	44,356	5,477	35,256	28	373,777	461,361
Total nonoperating revenue	2,467	44,356	5,477	35,256	28	358,482	446,066
Change in net assets	640,657	15,766	(29,625)	99,769	(2,356)	533,078	1,257,289
Total net assets (deficit) - beginning	(5,747,206)	1,519,417	206,025	743,313	6,960	4,787,391	1,515,900
Total net assets (deficit) - ending	\$ (5,106,549)	\$ 1,535,183	\$ 176,400	\$ 843,082	\$ 4,604	\$ (2,547,280)	\$ 2,773,189

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTHFIELD

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Incorporation of city

The City of Southfield was incorporated on April 28, 1958, under the provisions of Act 279, P.A. 1909, as amended ("Home Rule City Act"). The City operates under a council/administrator form of government and provides the following services as authorized by its charter: public safety, public works, culture, recreation and community development.

The basic financial statements of the City of Southfield (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles and are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The City's more significant accounting policies are described below.

A. Reporting entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations given the level of financial interdependence with the City. Data from these units are combined with data of the City ("primary government"). Each discretely presented component unit, on the other hand, is legally separate with a board appointed by the City. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable and, as such, has included them within the City's financial statements. In accordance with GASB Statement No. 14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose a specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Data from these units is segregated from the primary government in the combined financial statements. Each blended and discretely presented component unit's financial information has been included based upon a June 30 year-end except for Southfield Non-profit Housing which numbers were based upon a December 31 year end.

Blended Component Units: The following component units have been blended into the City's general-purpose financial statements:

City of Southfield Library Building Authority
City of Southfield Building Authority
Southfield Employee Retirement System
Fire and Police Retirement System

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

A. Reporting entity (continued)

The Southfield Library Building Authority Board consists of 6 members appointed by City Council, thereby appointing a voting majority. In addition, the repayment of the Southfield Library Building Authority's bonds are financed through an operating millage for library operations. The Southfield Building Authority Board consists of 4 members appointed by City Council, and the City Administrator, thereby appointing a voting majority. The Building Authorities are reported as a Governmental Fund type. The Southfield Employee Retirement System Board consists of 3 members appointed by City Council, 1 member appointed by the Mayor, 2 members elected by active members and 1 member elected by retirees, thereby appointing a voting majority. The Southfield Fire and Police Retirement System Board consist of 2 members appointed by City Council, the City Treasurer, one member from elected active police rank and one member elected from the active fire ranks, thereby appointing a voting majority. The Southfield Employee Retirement System and the Fire and Police Retirement System are reported as Fiduciary Fund types.

Discretely Presented Component Units: The Component Unit columns in the combined financial statements include the financial data of the City's other component units. They are reported in separate columns to emphasize that they are legally separate from the City. The following Component Units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization.

Downtown Development Authority
Economic Development Corporation
Tax Increment Finance Authority
Local Development Finance Authority
Brownfield Redevelopment Authority
Southfield Nonprofit Housing Corporation

Downtown Development Authority: The Downtown Development Authority has a 13-member board, appointed by the Mayor, committed to the economic development of the designated downtown district in and around the Northland Center. This Authority was formed under Public Act 1975, No. 197, and is funded through a 2-mill tax levy on all real and personal property within the district. The discretely presented component unit is reported as a governmental fund type.

Economic Development Corporation ("EDC"): The Economic Development Corporation ("EDC") was formed in February of 1980, in accordance with the State of Michigan Public Act 338 of 1974, for the purpose of stimulating economic activity in the City of Southfield upon which the EDC is fiscally dependent on the City of Southfield. Industrial projects ultimately approved by the Economic Development Corporation are financed through the sale of Industrial Revenue Bonds. In addition, the EDC offers loans and participates in other economic development and rehabilitation programs. The discretely presented component unit is reported as a governmental fund type.

The Tax Increment Financing Authority: The Tax Increment Financing Authority ("TIFA") was organized pursuant to the State of Michigan, Public Act 450 of 1980. Its primary purpose is to finance and develop public improvements to promote growth and increase property tax valuation. Any new or additional assessed value in the development district is declared "captured assessed value." The property

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

A. Reporting entity (continued)

taxes collected thereon are transferred to the Authority as "tax increment revenues" and used to finance the development plan. The discretely presented component unit is reported as a governmental fund type.

Local Development Finance Authority: The Local Development Finance Authority ("LDFA") was organized on September 25, 1989 pursuant to the State of Michigan Public Act 281 of 1986. The LDFA is similar to the TIFA, but is restricted to industrial and manufacturing areas. The primary purpose of the Authority is to finance and develop public improvements to promote growth and increase property tax valuation. This purpose is accomplished by the Authority designing a development district and analyzing the property to determine the initial assessed value. Any new or additional assessed value, whether from new construction or increased market value, is declared "captured assessed value." The property taxes collected thereon are transferred to the Authority as "tax increment revenues" and used to finance the development plan. The discretely presented component unit is reported as a governmental fund type.

Brownfield Redevelopment Authority: The Brownfield Redevelopment Authority is a corporate public body, created by the State of Michigan under Public Act 381 of 1996, consisting of the serving members of the Local Development Financing Authority (LDFA). Its purpose is to promote the revitalization of environmentally distressed, blighted and functionally obsolete properties through the use of tax increment financing.

Southfield Nonprofit Housing Corporation: The Corporation is organized as a nonprofit corporation formed on February 1, 1973, to provide housing for persons of low and moderate income in the City of Southfield. The City appoints a voting majority of the Corporation and is able to impose its will on the Corporation. The discretely presented component unit is reported as a Proprietary Fund type.

The City assesses, collects and distributes property taxes for several school districts, including the Southfield Public Schools. These districts are not included in these financial statements because they are entities with independently elected Boards of Education who establish their own millage rates and are responsible for all financial control, including budgeting and operating surpluses and deficits.

B. Basis of presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

During fiscal year 2003, the City adopted GASB Statement No. 34, Basic Financial statements and Management's Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories: Invested in capital assets, net of related debt, Restricted net assets and Unrestricted net assets. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets. Restricted net assets result when constraints place on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law. Unrestricted net assets

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

B. Basis of presentation (continued)

consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the Governmental Accounting Standards Board Statement 33.

The statement of net assets and the statement of activities display information about the City as a whole. The statements include all funds of the primary government and its component units, except for its fiduciary funds. Those funds are reported in the statements of fiduciary net assets and changes in fiduciary net assets.

The statement of net assets and the statement of activities are presented to distinguish between governmental and business type activities of the City. Governmental activities are financed through taxes, intergovernmental revenues and other non-exchange revenues. These activities are reported in governmental and internal service funds. For the most part, the effect of interfund activity has been removed from these statements. Business type activities are financed by fees charged to external parties for goods or services. These activities are reported in the City's enterprise funds.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Capital assets are reported in the government wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period and cost over \$500. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

B. Basis of presentation (continued)

GOVERNMENTAL FUNDS

The city reports the following major governmental fund:

GENERAL FUND: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The city reports the following major proprietary fund:

ENTERPRISE FUND: The Enterprise Fund is used to account for (1) operations that are financed and operated in a manner similar to business enterprises - where the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, and (2) operations where the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Water and Sewer Fund: Water sales support the purchase of water from the Southeastern Oakland County Water Authority and the installation and maintenance of meters and mains throughout the City. Sewer disposal charges to customers pay for treatment of sewerage and fund installation and maintenance of sanitary sewers in the EVERGREEN area (west of Southfield Road) and of combined sanitary and storm sewers on the "SEOCSDS" area (east of Southfield Road).

Additionally, the city reports the following fund types:

(a) Governmental Funds

- **Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of special revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.
- **Debt Service Funds:** Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.
- **Capital Projects Funds:** Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. Budget authority for capital projects is either included in the annual City of Southfield Municipal Budget or is established by the City Council as capital project bids are confirmed.

(b) Proprietary Funds

- **Internal Service Funds:** Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

B. Basis of presentation (continued)

Generally accepted accounting principles for proprietary funds are similar to those applicable to a business enterprise in the private sector.

(c) Fiduciary Funds

- Trust and Agency Funds: Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

46th District Court: The district court operates in an agency capacity and collects fine and fee revenues and distributes them to the appropriate governmental unit or agency. The City is the District Control Unit for the district court, and it provides all facilities, services and payroll expenses required for the proper functioning of the district court.

C. Basis of accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected within 60 days after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include reimbursement grants, state shared revenues and charges for services.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on long-term debt which is recognized when due and paid.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available, spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds and the pension trust funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Proprietary and Pension Trust funds use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

D. Assets, liabilities, and equity

(a) **Investments:** Long-term investments are stated at fair value, in accordance with ("GASB") Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". This statement establishes standards for reporting investments at fair value. The City considers investments with an original maturity when purchased of three months or less to be cash equivalents.

(b) **Interfund receivables/payables:** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term receivables and payables resulting from such transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet. Any residual balances between the government activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a reservation of fund balance.

(c) **Inventories:** Inventories are stated at first-in, first-out cost method and are accounted for using the purchasing method in Governmental Funds and the consumption method in the Proprietary Funds.

(d) **Capital Assets:** Capital assets which include property and equipment are stated at historical cost or, if donated, fair market value at the date of donation. Expenditures which materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits and bond interest costs. Certain governmental improvements, including roads, bridges, storm sewers and sidewalks are not capitalized. In accordance with GASB 34 the City has elected to defer the infrastructure portion of the pronouncement.

Depreciation is recorded for property and equipment recorded in Proprietary Funds using the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives are:

Water mains	50 years
Equipment	2-10 years

Depreciation of property and equipment contributed by entities independent of the City (such as construction contractors) is charged to fund operations.

(e) **Compensated Absences:** The City recognizes an expenditure and a liability in Governmental Funds for the accrued vacation and sick pay that is expected to be liquidated with available spendable resources. The remaining amount of the unpaid vacation and sick pay has been recognized in the Statement of Net Assets as non-current liabilities. The unpaid vacation and sick pay attributable to Proprietary Funds has been accrued therein in its entirety.

(f) **Fund equity:** In the financial statements, governmental funds report reservations of fund equity not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

City of Southfield

Notes to Financial Statements

2. COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data: The preparation of the budget begins in October with the establishment of written goals and parameters through the City Administrator's Office and the distribution of budget instructions by the Office of Management and Budget. The remaining steps and deadlines are strictly outlined in the City Charter:

- On or before March 1 - Each department head must submit a departmental budget to the City Administrator.
- On or before April 1- the Administrator shall submit the budget to the Mayor.
- On or before the first regular Council meeting in May - the Mayor shall submit the budget to Council.
- Not later than the third week in June - the Council shall adopt a budget by an affirmative vote of at least five members, at a Special Budget Meeting called for such purposes.
- The City's fiscal year begins July 1.
- The public is kept well informed throughout the budget process through the issuance of press releases, availability of budget documents at both the City Clerk's Office and Southfield Public Library at various stages in the formulation process, and creation of a budget summary videotape which plays periodically on the City's cable television station. Citizens are encouraged to actively participate in all public hearings.
- The individual department head is authorized to transfer budgeted amounts within the respective appropriation unit (e.g., Treasurer's Office), unless the transfer involves either personnel or capital line items, in which case, the approval of the Director of Financial Services or the City Administrator is also required. However, any revisions that alter an appropriation unit's total budget must be approved by City Council. Such budget adjustments took place, as authorized by the City Council, for the year ended June 30, 2004, and the budgetary data reflects the effect of those amendments.
- Appropriations for the fiscal year lapse every June 30. Council may re-appropriate any amount at its discretion.
- Budgets are legally adopted on an activity basis for the General, Special Revenue and some Debt Service Funds. These budgets are prepared on the same basis of accounting as used for actual results. Capital Projects and the remainder of the Debt Service Funds are approved by City Council on a project length basis, with annual expenditures included within Governmental Fund appropriation units. Budgets and actual comparisons are not reported in the Financial Statements for those funds where no annual budgets are prepared.

B. Individual Fund and Component Unit Disclosures

The following individual funds and component units have an accumulated deficit at June 30, 2004:

Capital Projects Fund

Special Assessment Construction Fund

(235,443)

Component Units

Local Development Finance Authority

(5,106,549)

City of Southfield

Notes to Financial Statements

2. COMPLIANCE AND ACCOUNTABILITY

B. Individual Fund and Component Unit Disclosures (continued)

The Special Assessment Construction Fund deficit arose from expenditures made on a new sidewalk project which was funded with a long term advance from the Local Improvement Revolving Fund. Scheduled repayment of the 10 year special assessment began January 2004.

The deficit in Local Development Finance Authority arose from expenditures for an industrial park at Lahser and 8 Mile which was funded with a long term advance from "LIRF" scheduled to be repaid by fiscal year 2007.

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Investments

The City's deposits are pooled for investment purposes with each fund's share of the pool being accounted for separately by the pool trustee. Investments are specifically identified by fund. The deposits and investments of the Pension Trust Funds and Deferred Compensation Plan Fund are held separately from those of other City funds.

(1) Deposits

At year-end, the amount of the primary government's deposits was \$5,141,466. Such deposits included certificates of deposit with a carrying amount and bank balance of \$790,000. Of the remaining deposits, \$294,313 was covered by federal depository insurance. A balance of \$4,057,153 is uninsured and uncollateralized and subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits might not be recovered. The City uses an independent rating firm to rate both depository banks and those with which certificates of deposit are placed. The financial position of all banks is reviewed quarterly by City staff.

(2) Investments

Statutes authorize the City to invest in obligations of the U. S. Treasury, agencies and instrumentalities, commercial paper rated in the two highest classifications established by not less than two standard rating services, bankers acceptances, repurchase agreements and reverse repurchase agreements. However, the City employs a more conservative investment policy and invests only in the highest rated commercial paper. The Pension Trust Funds are also authorized to invest in corporate stocks, corporate notes, corporate bonds, diversified investment companies, annuity investment contracts and certain real estate or mortgages.

The City's investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Currently the City does not have any Category 2 investments. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Certain investments in the following table are not categorized because these investments are not evidenced by securities that exist in physical or book entry form.

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Investments (continued)

The City participates only with qualified banks and primary investment firms that adhere to the specific guidelines established by industry practice for repurchase agreements. Guidelines require that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreement. The market value of securities underlying repurchase agreements did not fall below this required level during the year.

The Pension Trust Funds maintain the majority of their investments with the counterparty's trust department in a street account of a nominee for the Depository Trust Corporation. Many of the transactions are book entry which allows for quicker recording and reduced securities delivery cost. The Pension Trust Funds own 94% of the investments in Category 3.

The percentage of the governmental and business type bank pooled investment funds held at year-end was approximately 10% of its total investments. Due to higher cash flows at certain times during the year, the primary government's investment in bank pooled investment funds fluctuates. Although the City is authorized to invest in reverse repurchase agreements, it has chosen not to do so.

	Category 1	Category 3	Total (fair value)
Primary government			
Governmental and business-type			
Cash deposits			\$ 5,141,466
Governmental and business-type			
Bank pooled investment funds		\$ 6,918,049	6,918,049
Repurchase agreements	\$ 7,484,762		7,484,762
U. S. government securities	50,168,881		50,168,881
Total governmental and business-type	57,653,643	6,918,049	69,713,158
Fiduciary and agency funds			
Cash deposits			1,956,842
Fiduciary and agency funds			
Bank pooled investment funds		11,060,763	11,060,763
U. S. government securities	2,857,226	34,384,480	37,241,706
Corporate Bonds		44,966,966	44,966,966
Common stock		178,127,944	178,127,944
Total fiduciary and agency funds	2,857,226	268,540,153	273,354,221
Real estate investment funds			17,994,491
Component units			
Cash deposits			38,809
Bank pooled investment funds		8,808,293	8,808,293
Repurchase agreements	3,925,699		3,925,699
Total component units	3,925,699	8,808,293	12,772,801
Total cash and investments	\$ 64,436,568	\$ 284,266,495	\$ 373,834,671

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

B. Receivables

The major components of receivables as reported on the Statement of Net Assets as of June 30, 2004 were as follows:

Governmental activities:	Delinquent taxes	Accrued interest	Accounts	Accrued revenue	Special assessments	Total
General fund	\$ 2,018,291	\$ 150,082	\$ 311,138	\$ 839,599		\$ 3,319,110
Other Non-major funds	149,591	186,524	280,153	632,574	\$ 1,162,065	2,410,907
Internal Service funds		177,500	67,239	50,213		294,952
Total governmental activities	\$ <u>2,167,882</u>	\$ <u>514,106</u>	\$ <u>658,530</u>	\$ <u>1,522,386</u>	\$ <u>1,162,065</u>	\$ <u>6,024,969</u>
Business-type activities		\$ <u>35,619</u>	\$ <u>5,723,310</u>			\$ <u>5,758,929</u>

The only receivable not expected to be collected within one year is the delinquent taxes.

C. Capital assets

An analysis of property and equipment as reported in the Statement of Net Assets and related accumulated depreciation, at June 30, 2004, for governmental activities follows:

	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 9,627,733	\$ 2,362,993		\$ 11,990,726
Construction in progress				
Total capital assets not being depreciated	<u>9,627,733</u>	<u>2,362,993</u>	<u>-</u>	<u>11,990,726</u>
Capital assets, being depreciated				
Land improvements	8,268,276	14,964		8,283,240
Building and improvements	81,773,177	9,526	1,884,698	79,898,005
Equipment	12,634,164	915,159		13,549,323
Total capital assets being depreciated	<u>102,675,617</u>	<u>939,649</u>	<u>1,884,698</u>	<u>101,730,568</u>
Less accumulated depreciation				
Land improvements	3,300,263	385,434		3,685,697
Building and improvements	15,926,221	987,048	275,698	16,637,571
Equipment	3,479,789	688,052		4,167,841
Total accumulated depreciation	<u>22,706,273</u>	<u>2,060,534</u>	<u>(a) 275,698</u>	<u>24,491,109</u>
Total capital assets being depreciated, net	<u>79,969,344</u>	<u>(1,120,885)</u>	<u>1,609,000</u>	<u>77,239,459</u>
Governmental activity capital assets, net	\$ <u>89,597,077</u>	\$ <u>1,242,108</u>	\$ <u>1,609,000</u>	\$ <u>89,230,185</u>

(a) Depreciation expense was charged to governmental activities as follows:

	General
General government	\$ 288,475
Public safety	232,712
Highways and streets	30,908
Culture and recreation	1,298,136
Other	210,303
Total	\$ <u>2,060,534</u>

City of Southfield
Notes to Financial Statements
3. DETAILED NOTES ON ALL FUNDS
C. Capital assets (continued)

A summary of proprietary fund-type property and equipment at June 30, 2004, follows:

Enterprise:

Water and Sewer Fund

Equipment and Vehicles	\$	1,224,181
Infrastructure		<u>112,300,454</u>
Total		113,524,635
Less: Accumulated Depreciation		<u>27,111,409</u>
Total Capital Assets	\$	<u><u>86,413,226</u></u>

		Equipment and Vehicles	Less: Accumulated Depreciation	Total Capital Assets
Internal Service:				
Facilities Maintenance	\$	571,740	\$ 231,164	\$ 340,576
Motor Pool		13,365,055	9,530,809	3,834,246
Equipment Revolving		<u>9,694,587</u>	<u>6,064,297</u>	<u>3,630,290</u>
Total Internal Service	\$	<u><u>23,631,382</u></u>	<u><u>15,826,270</u></u>	<u><u>7,805,112</u></u>

A summary of discretely presented component unit property and equipment at June 30, 2004, follows:

Discretely presented component unit

Buildings and Improvements	\$	624,376
Equipment		<u>77,070</u>
Total		701,446
Less: Accumulated Depreciation		<u>245,296</u>
Total Capital Assets	\$	<u><u>456,150</u></u>

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

D. Long-Term Debt and Other Obligations

The city issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both the governmental and business-type activities. For purposes of this exhibit, the portion of debt due within a year is included in the total.

Outstanding debt consists of the following:

	Balance July 1, 2003	Additions	Deductions	Principal June 30, 2004	Due within one year
Primary government:					
General obligation debt					
2.5% to 5.375 % Drains-at-large, City's share of county debt	\$ 8,966,437	\$	\$ 71,647	\$ 8,894,790	\$ 351,909
4.75% to 5.5% Library Building Authority General Obligation Limited Tax	29,725,000		150,000	29,575,000	350,000
2.5% to 4.5% - 2003 General Obligation Limited Tax		4,900,000		4,900,000	
5.3% to 5.5% Building Authority bonds	1,275,000		1,050,000	225,000	225,000
5.3 % to 6% 1991 Building Authority bond	1,425,000		1,425,000		
Total general obligation debt	41,391,437	4,900,000	2,696,647	43,594,790	926,909
Installment purchase agreement	1,975,000		251,990	1,723,010	266,358
Compensated absences	8,718,719	482,954		9,201,673	697,157
Total primary government long-term debt	\$ 52,085,156	\$ 5,382,954	\$ 2,948,637	\$ 54,519,473	\$ 1,890,424
Enterprise funds					
State of Michigan water supply and sewage disposal revenue bonds series 1999 (LTGO) 2.25 to 2.5 %	\$ 35,001,459	\$ (2,670)	\$ 1,580,000	\$ 33,418,789	\$ 1,615,000
3.05 % to 6.5 % Evergreen/Farmington sewer disposal system bonds, City's share of county debt	6,210,290		734,316	5,475,974	755,368
Compensated absences	252,707	56,871		309,578	34,613
Total enterprise funds long-term debt	41,464,456	54,201	2,314,316	39,204,341	2,404,981
Internal Service funds					
Capital lease	77,348		70,731	6,617	6,617
Compensated absences	583,513	69,418		652,931	46,362
Total Internal Service funds long-term debt	660,861	69,418	70,731	659,548	52,979
Component units debt (with City commitment)					
Capital lease (DDA auto lease)	9,097		4,199	4,898	4,164
Compensated absences:					
Downtown Development Authority	14,613		2,291	12,322	1,055
Local Development Finance Authority	41,084	4,067		45,151	136
Total component units debt (with City commitment)	64,794	4,067	6,490	62,371	5,355
7.6 % to 8.5 % mortgage payable nonprofit housing corporation	12,849,381	208,011 *		13,057,392	423,524
Total component unit long-term debt	12,914,175	212,078	6,490	13,119,763	428,879
Total debt	\$ 107,124,648	\$ 5,718,651	\$ 5,340,174	\$ 107,503,125	\$ 4,777,263

* Audited as of 12/31/03

All current Special Assessments are financed internally. Additionally, the City has pledged its full faith and credit for any obligation not met through the collection of special assessments.

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

D. Long-Term Debt and Other Obligations (continued)

The City has pledged its full faith and credit for the bonded indebtedness of the City of Southfield Building Authority, Southfield Library Building Authority, Tax Increment Finance Authority and Local Development Finance Authority.

The Economic Development Corporation ("EDC") has issued revenue bonds collateralized by a promissory note from certain commercial enterprises receiving the proceeds of the bonds. Since the EDC has assigned its interest in the notes receivable to the trustees of the revenue bonds, and since the revenue bonds are not an obligation of the City, the revenue bonds and related notes receivable have not been reflected in the combined financial statements of the City.

By statute, the City's general obligation and component unit debt in the aggregate is restricted to 10% of the state equalized value of all property within the City. The City's special assessment debt is restricted to 12%. The City currently has no outstanding special assessment debt. For the current year, the state equalized value of the property within the City was \$4,040,808,240. The City has issued and outstanding \$49,070,764 of general obligation bonds, subject to a limit of \$404,080,824.

The annual requirements (excluding the liabilities for compensated absences and lease contracts) to pay principal only and to pay principal and interest combined ("P&I") on debt outstanding at June 30, 2004 (in thousands of dollars) are as follows:

	General obligation debt		Business-type Water & Sewer		Nonprofit Housing Corporation	
	Prin.	P&I	Prin.	P&I	Prin.	P&I
2004 *						
2005	\$ 1,683	\$ 4,495	\$ 1,615	\$ 2,404	\$ 352	\$ 1,308
2006	1,625	4,365	1,660	2,410	453	1,308
2007	1,841	3,984	1,695	2,404	490	1,308
2008	2,036	4,102	1,745	2,413	530	1,308
2009	2,209	4,189	1,785	2,410	574	1,308
2010	1,849	3,735	1,835	2,416	622	1,308
2011	1,251	3,075	1,885	2,422	673	1,308
2012	1,347	3,120	1,930	2,421	728	1,308
2013	1,470	3,189	1,970	2,413	789	1,308
2014	1,591	3,251	2,025	2,420	854	1,308
2015	1,713	3,306	2,075	2,421	924	1,308
2016	1,837	3,353	2,130	2,425	1,001	1,213
2017	1,967	3,401	2,180	2,423	988	930
2018	2,116	3,459	2,240	2,430	786	930
2019	2,261	3,511	2,170	2,305	850	929
2020	2,415	3,559	2,230	2,310	336	364
2021	2,570	3,598	1,580	1,614	221	230
2022	2,602	3,507	671	678	1,886	2,241
2023	2,508	3,288				
2024	2,130	2,787				
2025	1,675	2,228				
2026	1,675	2,136				
2027	1,675	2,044				
2028	1,675	1,951				
2029	1,675	1,859				
2030	1,675	1,767				
Total	\$ 49,071	\$ 83,259	\$ 33,421	\$ 40,739	\$ 13,057	\$ 21,225

* Payments due after 12/31/03

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

E. Interfund Receivables and Payables

Interfund receivable and payable balances related to the primary government funds at June 30, 2004 are as follows:

Fund	Interfund receivables	Interfund payables
General Fund	\$ 4,915,442	\$ 331,586
Special Revenue Funds		
Parks and recreation	106,300	88,469
Library	-	92,280
Block grant	-	385,676
Auto theft grant	-	21,989
Major street	25,868	280,796
Local street	1,620	512,735
Drug law enforcement	-	46,911
Section 8 housing	2,462	45
Cable television	863	3,391
Michigan works grants	-	792,159
Grants	-	42,756
Donations and memorial trusts	10,587	2,043
Debt Service Funds		
Special assessment debt	108,772	25,000
Sewer debt	-	11,094
Building authority debt	162	-
Capital Project Funds		
Capital improvement	5,357	-
Special assessment construction	469,610	383,897
Building authority construction	-	162
Enterprise Funds		
Water and sewer	11,094	169,474
Internal Service Funds		
Motor pool	174,603	8,853
Equipment revolving	5,963	-
Facilities maintenance	122,832	165,094
Insurance risk retention	180,000	196
Local improvement revolving	56,311	1,620
Fiduciary Funds		
Fire and Police	48,427	462,691
Employee retirement	5,662	615,490
Retiree health care benefits plan and trust	67,041	-
Imprest payroll	316,338	2,136,101
Deposits and escrow	-	54,806
Total	\$ 6,635,314	\$ 6,635,314

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

E. Interfund Receivables and Payables (continued)

Interfund receivable and payable balances between the primary government and discretely presented component units at June 30, 2004 are as follows:

	Interfund receivables	Interfund payables
Primary Government		
Imprest Payroll Fund	\$ 46,577	\$ 545
Total	<u>\$ 46,577</u>	<u>\$ 545</u>
Component Units		
Economic Development Authority	\$ -	\$ 618
Downtown Development Authority	-	44,925
Tax Increment Finance Authority	545	-
Local Development Finance Authority	-	1,034
Total	<u>\$ 545</u>	<u>\$ 46,577</u>

Long-term advances by the Local Improvement Revolving Fund to other primary government funds and component units are as follows:

Primary government	
Capital projects	
Special Assessment Construction Fund	\$ 1,412,093
Capital Improvement Fund	2,218,519
Total	<u>\$ 3,630,612</u>
Component units	
Local Development Finance Authority	\$ 5,916,782
Downtown Development Authority	735,655
Nonprofit Housing Corporation	479,286
	<u>\$ 7,131,723</u>

City of Southfield
Notes to Financial Statements
4. OTHER INFORMATION

A. Fund Balance or Reserves

	June 30, 2004
General Fund	
Subsequent year's expenditures	\$ <u>3,838,808</u>
Specific programs	
Capital projects	1,275,000
Dispatch improvements	308,155
Economic development	1,200,000
Economic development/roads	450,000
Emergency clean up	491,929
Equalization reserve	1,400,000
Reserve for transfer to civic center improvement fund	850,000
Reserve for future budgetary needs	2,000,000
Residential program initiatives	600,000
Technological improvements	1,000,000
Designated for specific programs	\$ <u>9,575,084</u>
Special Revenue Funds	
Parks and Recreation	
Bedford Woods (Cell phone tower)	\$ 45,900
Handicapped programs	12,818
SMART programs	31,552
Designated for specific programs	<u>90,270</u>
Library	
Capital projects	554,676
Residential program initiatives	29,754
Technological development	133,633
Designated for specific programs	<u>718,063</u>
Cable Television, equipment replacement	<u>300,000</u>
Total special revenue designated for specific programs	\$ <u>1,108,333</u>
Capital projects reserve	\$ <u>61,000</u>
Capital Projects Funds designated for	
Capital Improvement fund projects (technology)	\$ 8,416
Building Authority Construction fund projects	28,952
Library Building Authority Construction fund projects	3,026,968
Designated for capital projects	\$ <u>3,064,336</u>

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

B. Property Taxes

Property taxes are levied each July 1 on the taxable value of property, as equalized by the State at 50% of estimated market value as of the preceding December 31 and subject to the tax limitations prescribed by state law. The state equalized valuation of real and personal property located in the City, based on the December 31, 2002 valuation, was \$4,040,808,240 as amended by appeals and the Board of Review, and the taxable value was \$3,268,025,510. The City's operating tax rate was 6.6094 mills which is the charter limit. In addition, extra voted and other authorized millage for special operations, pensions, expansion and debt retirement brought the total tax rate for the City to 16.3428 mills.

In 1994, Proposal A/Public Act 415 was approved by Michigan voters. It requires that annual increases in the taxable value of individual properties that remain in the same ownership be limited to the lesser of five percent or the rate of inflation. Properties are adjusted to market value for purposes of property taxation only at the time of sale or transfer. Utilizing a 2003 rate of inflation cap of 1.5%, the City of Southfield's 2003-04 State Equalized Evaluation ("SEV") of \$4,040,808,240 was capped at a Taxable Assessed Valuation ("TAV") of \$3,268,025,510.

Taxes are due July 1 and December 1 (the lien dates) and are collectible through August 31 and February 14, respectively (the collection dates), without penalty. The tax levy is based on a December 31 assessment date. After February 28, all taxes are declared delinquent. Delinquent property taxes are turned over to the County Treasurer who assumes responsibility for their collection and, at the same time reimburses the City for the total amount of delinquent property taxes.

C. Contingencies

The City is fully insured for workers' compensation claims with the Great American Insurance Company. Property owned by the City is insured by the Michigan Municipal Risk Management Authority, subject to a blanket limit of \$129.5 million, and a deductible schedule of \$1,000, then 90% / 10% sharing between the insurance carrier and the City for the next \$99,000 of any claim, and full coverage for the balance of any claim.

Insurance coverage for claims against the City for bodily injury, personal injury, property damage to property of others, public officials and law enforcement liability, and statutory Michigan "no fault" or owned automobiles is provided by the Michigan Municipal Risk Management Authority ("MMRMA"). The MMRMA program is approved and regulated by the Michigan Insurance Bureau and provides coverage of \$15 million per occurrence, with the first \$150,000 deductible being the responsibility of the City.

The City accounts for transactions related to these risks in accordance with GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which states that a liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated.

No settlements have exceeded insurance coverage during the last three years. The City had made no significant reductions in insurance coverage during the year. The City has received no indication that any significant losses exist at June 30, 2004, and thus no liability has been recorded.

City of Southfield
Notes to Financial Statements
4. OTHER INFORMATION

D. Pension Trusts

Combining Statement of Fiduciary Net Assets

Pension (and Other Post-Employment Benefits) Trust Funds

June 30, 2004

	Fire and Police	Employee Retirement	Retiree Health Care Benefits Plan & Trust	Totals
ASSETS				
Cash equivalents	\$ 3,978,971	\$ 2,060,917	\$ 3,655,928	\$ 9,695,816
Investments, at fair value:				
Government obligations	18,040,851	16,343,629		34,384,480
Corporate bonds	33,864,085	11,102,881		44,966,966
Common stock	125,403,650	52,724,294		178,127,944
Real estate and other	15,683,660	2,310,831		17,994,491
Total investments	<u>192,992,246</u>	<u>82,481,635</u>	<u>-</u>	<u>275,473,881</u>
Receivables:				
Accrued investment income		359,935		359,935
Due from other funds	<u>48,427</u>	<u>5,662</u>	<u>67,041</u>	<u>121,130</u>
Total assets	<u>197,019,644</u>	<u>84,908,149</u>	<u>3,722,969</u>	<u>285,650,762</u>
LIABILITIES				
Accounts payable	528,501			528,501
Due to other funds	<u>462,691</u>	<u>615,490</u>		<u>1,078,181</u>
Total liabilities	<u>991,192</u>	<u>615,490</u>	<u>-</u>	<u>1,606,682</u>
NET ASSETS				
Reserved for pension benefits	196,028,452	84,292,659		280,321,111
Reserved for post-retirement health care benefits			3,722,969	3,722,969
Total net assets	<u>\$ 196,028,452</u>	<u>\$ 84,292,659</u>	<u>\$ 3,722,969</u>	<u>\$ 284,044,080</u>

City of Southfield
Notes to Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

Combining Statement of Changes in Fiduciary Net Assets

Pension (and Other Post-Employment Benefits) Trust Funds

For the Year Ended June 30, 2004

	Fire and Police	Employee Retirement	Retiree Health Care Benefits Plan & Trust	Totals
ADDITIONS				
Contributions:				
Plan members	\$ 796,476	\$ 11,883		\$ 808,359
Employer	<u>2,587,659</u>	<u>365,509</u>	\$ <u>1,847,273</u>	<u>4,800,441</u>
Total contributions	3,384,135	377,392	1,847,273	5,608,800
Investment earnings:				
Net increase in fair value of investments	14,453,628	1,761,448		16,215,076
Interest	4,069,137	1,679,003	25,246	5,773,386
Dividends	1,220,828	694,697		1,915,525
Realized loss on sale of investments	<u>6,963,295</u>	<u>5,944,644</u>		<u>12,907,939</u>
Total investment earnings	26,706,888	10,079,792	25,246	36,811,926
Less investment expense:				
Investment management fee	530,351	405,515	838	936,704
Custodian fees	<u>68,402</u>	<u>55,620</u>	<u>7,132</u>	<u>131,154</u>
Total investment expense	598,753	461,135	7,970	1,067,858
Net investment earnings (loss)	<u>26,108,135</u>	<u>9,618,657</u>	<u>17,276</u>	<u>35,744,068</u>
Total additions	<u>29,492,270</u>	<u>9,996,049</u>	<u>1,864,549</u>	<u>41,352,868</u>
DEDUCTIONS				
Benefits	8,428,249	3,131,326		11,559,575
Health care expense	2,270,494	615,490		2,885,984
Administrative expense	<u>245,514</u>	<u>131,637</u>	<u>46,632</u>	<u>423,783</u>
Total deductions	<u>10,944,257</u>	<u>3,878,453</u>	<u>46,632</u>	<u>14,869,342</u>
Net increase	18,548,013	6,117,596	1,817,917	26,483,526
Net assets - beginning	<u>177,480,439</u>	<u>78,175,063</u>	<u>1,905,052</u>	<u>257,560,554</u>
Net assets - ending	\$ <u>196,028,452</u>	\$ <u>84,292,659</u>	\$ <u>3,722,969</u>	\$ <u>284,044,080</u>

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

Plan description

The City of Southfield's Act 345 Fire and Police Retirement System ("FPRS") is a single-employer plan consisting of a defined contribution plan and a defined benefit plan. The system covers all sworn firefighters and police officers. Employee contribution rates are determined by bargaining agreement or Act 345.

To be eligible to retire under the provisions of a service retirement, a member must attain at least 20 years of service credit with the Retirement System. The current benefit is calculated using 2.8 percent of final average compensation multiplied by a maximum of 25 years service credit, with applicable reductions based on retirement options.

A lump-sum withdrawal of the accumulated employee contributions and accrued interest can be refunded to a member from the defined contribution plan account at the time of termination or service retirement. A lifetime monthly defined benefit pension is also provided. Members are vested into the defined benefit plan once they attain 10 years of service. A vested deferred pension is provided as long as the member leaves the accumulated contributions and accrued interest with the Retirement System.

The Southfield Employee Retirement System ("SERS") plan is a single-employer defined benefit plan that covers full-time career personnel of the City (other than sworn police officers and firefighters and the City Attorney, who has an individual retirement plan by contract). Employee contribution rates are determined by bargaining agreements, or the pension ordinance. To be eligible for regular retirement, a member must meet one of the following conditions attain age 57 years with 25 years of service; age 65 years with 5 years of service; or age 62 years with 20 or more years of service. In addition non-union and AFSCME members may retire when their age plus years of credited service equals 82. The pension benefit is a percentage (current multiplier) of final average compensation multiplied by the total years of service credit, with applicable reductions based on retirement option selections. The multiplier in effect is determined by bargaining agreements or the pension ordinance.

A member may withdraw accumulated member contributions and accrued interest to their credit if they terminate their City employment prior to retirement. Members are vested into a lifetime defined benefit pension once they attain 10 years of service. A vested deferred pension is provided as long as the member leaves the accumulated contributions and accrued interest with the retirement system.

Employer contribution rates are actuarially determined for both plans. In addition, FPRS and SERS fund post-retirement health care benefits for their retirees. Each retirement system also provides disability, death and vested deferred benefits which have their own specific eligibility requirements, calculation provisions and health insurance options as provided by either FPRS or SERS. Employees are not permitted to receive loans from either plan.

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

Based on the most recent actuarial valuations of the plans as of June 30, 2004, membership for each plan is as follows:

	Fire and police system	Southfield employee retirement system	Total
Active members			
Vested	154	227	381
Nonvested	105	227	332
Total	<u>259</u>	<u>454</u>	<u>713</u>
Retirees and beneficiaries	204	173	377
Inactive vested members	<u>2</u>	<u>32</u>	<u>34</u>
	<u>465</u>	<u>659</u>	<u>1,124</u>

Assets in both plans represent investments used to fund retirement benefits and post-retirement health care benefits for members of the plans. Retirement investments are subject to a number of restrictions stipulated by state law as to the type, quality and concentration of investments. A separate financial report is not issued for the pension plans.

Actuarial cost method

- 1) Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual entry-age actuarial cost method having the following assumptions.
 - The annual normal cost for each individual active member, payable from the date of employment to the date of retirement (or the date of drop, if earlier), is sufficient to accumulate the value of the members benefit at the time of retirement
 - Each annual normal cost is a constant percentage of the members' year-by-year projected covered pay.
- 2) Unfunded actuarial accrued liabilities were amortized by level (principal and interest combined) percent-of-payroll contributions over an open 10 year period.

Contributions required and contributions made

The City's funding policy provides for periodic employer and employee contributions to both plans expressed as percentages of annual-covered payroll which are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry-age actuarial funding method. Actuarial assumptions include an assumed rate of inflation of 5.0% and an assumed investment income rate of 8% for SERS and 7.75% for FPRS and a 4 year smoothed market. If the number of active members remains constant, then the total active member payroll will increase 4.5%

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

annually. Each annual normal cost is a constant percentage of the members' year by year projected covered pay. The funding credit and unfunded actuarial accrued liabilities for SERS are amortized as a level percent of payroll over an open period of 15 years. The aggregate unfunded actuarial accrued liability/full funding credit for the FPRS is not amortized. The interest on the full funding credit offsets normal cost contributions.

During the year ended June 30, 2004, contributions totaling \$3,384,135 (\$2,587,659 employer and \$796,476 employee) and \$377,392 (\$365,509 employer and \$11,883 employee) were made to FPRS and SERS, respectively.

Retiree Health Care

The City's two retirement plans contain designated funds for retiree health insurance. The City-sponsored health benefit plan is administered by the City in accordance with provisions of the bargaining agreements and City Council resolutions.

In 2001, the City Council adopted an ordinance which established the Retiree Health Care Benefits Plan and Trust for the purpose of pre-funding for retiree health care expenses. The Plan and Trust taken as a whole constitutes a voluntary employees beneficiary association (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended. The VEBA plan, as it is commonly known, is administered by an 11 member board, consisting of the five (5) members of the Fire and Police Retirement System Board, the three (3) members of the Administrative Civil Service Commission, two (2) elected SERS active members, and the City Administrator.

The actuary calculates an employer contribution rate for the VEBA, based on current costs, predicted health inflation and retiree mortality expectation. All retiree health care contributions are now made to the VEBA plan. Retiree health care expenses will be paid from the previously-designated monies within the FPRS and SERS pension funds until those sources are exhausted. Thereafter, the expenses will be paid from the VEBA.

Since 1987, health insurance premiums for retirees of the Fire and Police Retirement System are fully paid by the City for both the member and his/her spouse. For members retired after July 1, 1992, fully paid health insurance also includes the coverage of dependents in addition to the member's spouse.

As of July 1, 2002, retirees of the Southfield Employee Retirement System pay \$10 per month for single health insurance coverage, and \$20 per month for the member plus spouse, unless otherwise provided in the collective bargaining agreement.

Trend information

The following three year trend information presented below for both pension plans discloses annual pension benefit costs.

Annual pension benefit costs:

	2004	2003	2002
SERS	\$3,131,326	\$2,671,786	\$2,709,753
FPRS	8,428,249	8,555,652	7,449,632

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

In accordance with GASB Statement No. 32, "Accounting and financial reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the City has removed the plans assets from the financial statements.

F. Transfers In and Out – Governmental and Proprietary Fund Activities (not Government-wide)

Transfers Out:	Transfers In:				
	General fund	Nonmajor governmental funds	Enterprise	Internal service funds	Total
General fund		\$ 1,310,548		\$ 50,000	\$ 1,360,548
Nonmajor governmental funds	\$ 326,278	5,801,634	\$ 10,607		6,138,519
Enterprise		8,553,173			8,553,173
Internal	70,731	517,468			588,199
Total transfers out	\$ 397,009	\$ 16,182,823	10,607	\$ 50,000	\$ 16,640,439

G. Statement of Net Assets – Reconciliation of Internal Balances

Governmental Activities

Governmental funds

Due from other funds	\$ 5,647,043
Long-term advances to other funds	(3,630,612)
Due to other funds	(3,020,989)

Internal service funds

Due from other funds	539,709
Due to other funds	(175,763)
Long-term advances receivable	3,630,612

Fiduciary funds

Due from other funds	424,699
Due to other funds	(3,269,088)
	\$ 145,611

Business Type Activities

Proprietary funds

Due from other funds	\$ 11,094
Due to other funds	(156,705)
	\$ (145,611)

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 37,449,028	\$ 37,449,028	\$ 37,317,119	\$ (131,909)
Charges for services	1,219,208	1,219,208	1,232,859	13,651
Sanitation	2,810,036	2,810,036	2,796,697	(13,339)
Licenses and Permits	2,385,275	2,385,275	2,139,257	(246,018)
Fines and forfeitures	3,001,060	3,001,060	3,254,901	253,841
Intergovernmental	8,869,384	10,798,426	10,370,692	(427,734)
Investment earnings	809,086	809,086	85,596	(723,490)
Other	460,657	460,657	619,116	158,459
Total revenues	57,003,734	58,932,776	57,816,237	(1,116,539)
EXPENDITURES				
General government:				
Council	161,988	162,148	135,208	26,940
Mayor	179,662	179,662	177,865	1,797
Administration	434,126	434,126	478,717	(44,591)
Legal	941,453	941,456	980,772	(39,316)
Clerk's	949,365	973,730	864,204	109,526
Human Resources	1,496,034	1,496,195	1,543,349	(47,154)
Finance/OMB	1,124,420	1,139,717	1,003,467	136,250
Other - unclassified	5,603,262	5,655,501	5,124,290	531,211
Total general government	10,890,310	10,982,535	10,307,872	674,663
Public Safety:				
Police	19,972,772	19,982,907	19,878,763	104,144
Fire	12,352,925	12,354,313	12,431,296	(76,983)
Building and safety engineering	2,139,781	2,173,988	2,070,922	103,066
46th Michigan District Court	2,958,552	3,009,068	2,897,829	111,239
Civilian support services	2,860,428	2,867,959	2,712,210	155,749
Total public safety	40,284,458	40,388,235	39,991,020	397,215
Public Services:				
Community development	379,005	380,997	378,757	2,240
Sanitation	3,185,005	3,375,005	3,384,947	(9,942)
Road service administration	471,302	472,449	288,186	184,263
Total public services	4,035,312	4,228,451	4,051,890	176,561
Social Services				
	399,248	418,546	392,866	25,680
Other:				
Insurance and bonds	807,363	807,363	709,707	97,656
Unallocated costs	4,197,415	6,425,110	5,694,201	730,909
Total other	5,004,778	7,232,473	6,403,908	828,565
Total expenditures	60,614,106	63,250,240	61,147,556	2,102,684
Deficiency of revenues under expenditures	(3,610,372)	(4,317,464)	(3,331,319)	986,145
OTHER FINANCING SOURCES (USES)				
Transfers in	489,009	489,009	376,278	(112,731)
Transfers out	(462,376)	(1,362,201)	(1,381,279)	(19,078)
Total other financing sources (uses)	26,633	(873,192)	(1,005,001)	(131,809)
Net change in fund balances	(3,583,739)	(5,190,656)	(4,336,320)	854,336
Fund balances - beginning	21,078,108	21,078,108	21,078,108	-
Fund balances - ending	\$ 17,494,369	\$ 15,887,452	\$ 16,741,788	\$ 854,336

City of Southfield
Required Supplementary Information
Schedule of Funding Progress
Six-Year Historical Trend Information

Fire and Police Retirement System Pension Benefits
(dollar amounts in millions)

Valuation date June 30,	Actuarial value of assets (a)	Actuarial accrued liability ("AAL") (b)	Unfunded actuarial accrued liability (b-a)	Funded ratio (a/b)	Covered payroll	Ratio of UAAL to covered payroll
2003 \$	177.3	\$ 164.3	\$ (13.0)	107.9% \$	19.6	-
2002	183.6	150.8	(32.8)	121.8	19.1	-
2001	186.5	146.4	(40.1)	127.4	18.4	-
2000	184.4	141.4	(43.0)	130.4	17.9	-
1999	175.9	128.0	(47.9)	137.4	16.9	-
1998	157.1	119.6	(37.5)	131.4	16.6	-

Employees Retirement System Pension Benefits
(dollar amounts in millions)

Valuation date June 30,	Actuarial value of assets (a)	Actuarial accrued liability ("AAL") (b)	Unfunded actuarial accrued liability (b-a)	Funded ratio (a/b)	Covered payroll	Ratio of UAAL to covered payroll
2003 \$	90.5	\$ 80.9	\$ (9.6)	111.8% \$	20.3	-
2002	90.6	70.0	(20.6)	129.0	19.3	-
2001	90.5	62.5	(28.0)	145.0	18.1	-
2000	84.8	57.3	(27.5)	148.0	16.8	-
1999	76.3	51.6	(24.7)	147.9	15.1	-
1998	65.9	39.0	(26.9)	169.0	15.1	-

City of Southfield
Required Supplementary Information
Schedule of Employer Contributions
Six-Year Historical Trend Information

Fire and police retirement system pension benefits

Valuation Year ended June 30,	Fiscal year ended June 30,	Contribution rates as a percent of valuation payroll	Computed dollar contribution based on valuation payroll	Percent contributed
2004	2002	15.39	\$ 2,941,903	100.00%
2003	2001	14.20	2,607,682	100.00
2002	2000	13.86	2,474,840	100.00
2001	1999	12.85	2,183,282	100.00
2000	1998	13.27	2,199,070	100.00
1999	1997	15.25	2,426,796	100.00

Employee retirement system pension benefit

Valuation Year ended June 30,	Fiscal year ended June 30,	Contribution rates as a percent of valuation payroll	Computed dollar contribution based on valuation payroll	Percent contributed
2002	2004	1.31%	\$ 252,830	100.00%
2001	2003	-	-	N/A *
2000	2002	-	-	N/A *
1999	2001	-	-	N/A *
1998	2000	-	-	N/A *
1997	1999	.98	149,537	100.00

* No contribution required because the fund was overfunded.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
ASSETS				
Cash and cash equivalents	\$ 5,384,445	\$ 1,271,218	\$ 8,020,382	\$ 14,676,045
Investments	9,102,338	450,405	2,956,623	12,509,366
Receivables:				
Special Assessments		1,162,065		1,162,065
Accrued interest	129,817	27,464	52,924	210,205
Other	858,697		179,940	1,038,637
Prepays	114,104			114,104
Due from other funds	147,700	108,934	474,967	731,601
Due from other governmental units	1,530,016			1,530,016
Total assets	\$ 17,267,117	\$ 3,020,086	\$ 11,684,836	\$ 31,972,039
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,136,847	289	441,325	1,578,461
Accrued payroll	423,705			423,705
Accrued compensated absences	78,076			78,076
Due to other funds	2,269,250	36,094	384,059	2,689,403
Deferred revenue	1,276,862	1,162,065	22,072	2,460,999
Other short-term liabilities	50,965			50,965
Long-term advances from local improvement revolving fund			3,630,612	3,630,612
Total liabilities	5,235,705	1,198,448	4,478,068	10,912,221
Fund balance:				
Reserved for:				
Encumbrances	1,586,220			1,586,220
Debt service		1,821,638		1,821,638
Designated for:				
Specific programs	1,108,333		3,064,336	4,172,669
Capital projects reserve	61,000			61,000
Unreserved	9,275,859		4,142,432	13,418,291
Total fund balances	12,031,412	1,821,638	7,206,768	21,059,818
Total liabilities and fund balances	\$ 17,267,117	\$ 3,020,086	\$ 11,684,836	\$ 31,972,039

City of Southfield
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
REVENUES				
Taxes	\$ 16,673,909	\$ 882,232		\$ 17,556,141
Special assessments		256,106		256,106
Rent-interfund		84,102		84,102
Charges for services	3,418,828		\$ 189,082	3,607,910
Fines and forfeitures	399,700			399,700
Franchise fees	794,955			794,955
Intergovernmental revenue	10,780,360			10,780,360
Contributions	164,355			164,355
Investment earnings	287,354	10,765	7,626	305,745
Other	3,503,807		151,972	3,655,779
Total revenues	36,023,268	1,233,205	348,680	37,605,153
EXPENDITURES				
Current:				
General government			2,873,128	2,873,128
Public safety	922,551			922,551
Highways and streets	9,938,064			9,938,064
Social services	2,677,600			2,677,600
Culture and recreation	13,887,624		2,187,807	16,075,431
Community improvement	1,097,284			1,097,284
Other		1,419,555	727,698	2,147,253
Debt service:				
Principal retirement		2,696,647	251,990	2,948,637
Interest and fiscal charges		1,980,810	342,597	2,323,407
Total expenditures	28,523,123	6,097,012	6,383,220	41,003,355
Excess (deficiency) of revenues over (under) expenditures	7,500,145	(4,863,807)	(6,034,540)	(3,398,202)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,403,932	3,898,290	4,670,311	9,972,533
Transfers out	(5,693,750)	(444,607)	(162)	(6,138,519)
Discount on long-term debt			(48,829)	(48,829)
Proceeds from long-term debt			4,900,000	4,900,000
Total other financing sources (uses)	(4,289,818)	3,453,683	9,521,320	8,685,185
Net change in fund balances	3,210,327	(1,410,124)	3,486,780	5,286,983
Fund balances - beginning	8,821,085	3,231,762	3,719,988	15,772,835
Fund balances - ending	\$ 12,031,412	\$ 1,821,638	\$ 7,206,768	\$ 21,059,818

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds account for the proceeds of specific revenue sources used to finance projects or activities as required by law or contractual agreement. The following funds are currently established:

PARKS AND RECREATION FUND

Specific property taxes, grants and user fees are used to operate the ice arena, swimming pool, and activities at parks, playgrounds and other facilities. Golf course activities, which include the Evergreen Hills Golf Course and Pro Shop, Beech Woods Golf Course, Pro Shop and Driving Range, were consolidated with the Parks & Recreation Fund in 1999 - 2000.

LIBRARY FUND

Specific property taxes, grants, user fees, state aide and related revenues are used to purchase books and computers, and to operate programs in the Civic Center and at the John Grace Community Center. The newly built Southfield Public Library was opened June 15, 2003.

BLOCK GRANT FUND

Under the Housing and Community Development Act of 1974, as amended, federal grants are targeted for neighborhood beautification, improvement and revitalization and other community improvements. These activities benefit low and moderate income persons in targeted areas as defined by the Department of Housing and Urban Development (HUD).

AUTO THEFT GRANT FUND

The Auto Theft Grant fund is a State funded program designed to assist local governments in auto theft investigation and prevention.

MAJOR STREET / LOCAL STREET FUND

Michigan's Act 51 of 1933, as amended, allocates gas and weight taxes to build and maintain roads, roadsides, and storm sewers. Snow removal and traffic control are also supported by this funding source. Major Streets include federal and state trunk lines maintained by the County and other relatively heavily traversed roads ("mile" roads) maintained by the City. Local Streets, which primarily service the residential community, are maintained by the City through a one-mill City tax levy for residential street maintenance and to a lesser degree by Act 51 funding.

MUNICIPAL STREET FUND

The Municipal Street fund was established to account for activities of the road appearance program, which was initiated in 1989-90 to provide a uniform standard for all roadside mowing, litter pick-up, street sweeping and catch basin cleaning on all roads throughout the City. It is separately funded through Public Act 298 of 1917.

DRUG LAW ENFORCEMENT FUND

The Drug Law Enforcement fund was established pursuant to Public Act 135 of 1985. As provided by Article 7 of this Act, property associated with controlled substances may be seized and the proceeds from its sale used to enhance law enforcement related to controlled substances.

SECTION 8 HOUSING FUND

Section 8 Housing Fund was established to account for rent subsidies provided by the U.S. Department of Housing and Urban Development which are made available to eligible persons.

SPECIAL REVENUE FUNDS
(continued)

CABLE TELEVISION FUND

The Cable Television Fund was established to account for fees received under provisions of the cable television franchise agreement. These fees are used for local programming and certain other purposes.

MICHIGAN WORKS GRANTS FUND

The Michigan Works Grants are funded by the Michigan Department of Career Development and the Oakland County Workforce Board and are administered by the Southfield Career Center.

LOCAL LAW ENFORCEMENT BLOCK GRANT FUND

The Grant was authorized under the Omnibus Fiscal Year 1997 Appropriation Act (Public Law 104-208) for the purposes of reducing crime and improving public safety.

GRANTS FUND

This fund accounts for individual grants received from Federal, State or other sources.

DONATIONS AND MEMORIAL TRUSTS

This fund accounts for endowments, restricted donations and contributions in memory of City employees and City residents. The funds are controlled by the Library Board and 46th District Court and are designated in accordance with the bequest.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2004

	Parks and Recreation Fund	Library Fund	Block Grant Fund	Auto Theft Grant Fund	Major Street Fund	Local Street Fund	Municipal Street Fund
ASSETS							
Cash and cash equivalents	\$ 514,827	\$ 133,633	\$ 557,745	\$ 100,096	\$ 622,155	\$ 163,798	\$ 7,329
Investments	2,180,621	3,903,976			832,121	2,185,620	
Receivables:							
Accrued interest	30,594	51,551	185	68	12,138	22,113	17
Other	189,289	268,190	905		3,424	25,958	13,518
Prepays	15,043	7,016	8,270		1,127		
Due from other funds	106,300				25,868	1,620	
Due from other governmental units					716,268	213,225	
Total assets	\$ 3,036,674	\$ 4,364,366	\$ 567,105	\$ 100,164	\$ 2,213,101	\$ 2,612,334	\$ 20,864
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	134,270	238,591	51,335	62	556,122	124,901	78
Accrued payroll	178,581	86,501	2,898	5,118	57,535	38,494	
Accrued compensated absences	37,274	31,335	107				
Due to other funds	88,469	92,280	385,676	21,989	280,796	512,735	
Deferred revenue		84,655	127,089	72,995			
Total liabilities	438,594	533,362	567,105	100,164	894,453	676,130	78
Fund balance:							
Reserved for encumbrances	10,986	19,978			827,300	641,923	
Designated for:							
Specific programs	90,270	718,063					
Capital projects reserve		15,000					
Unreserved	2,496,824	3,077,963			491,348	1,294,281	20,786
Total fund balances	2,598,080	3,831,004	-	-	1,318,648	1,936,204	20,786
Total liabilities and fund balances	\$ 3,036,674	\$ 4,364,366	\$ 567,105	\$ 100,164	\$ 2,213,101	\$ 2,612,334	\$ 20,864

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2004

	Drug Law Enforcement Fund	Section 8 Housing Fund	Cable Television Fund	Michigan Works Grants Fund	Local Law Enforcement Block Grant Fund	Grants Fund	Donations and Memorial Trusts	Total
ASSETS								
Cash and cash equivalents	\$ 499,060	\$ 505,458	\$ 432,945	\$ 375,681	\$ 113,565	\$ 53,997	\$ 1,304,156	\$ 5,384,445
Investments								9,102,338
Receivables:								
Accrued interest	359	42	2,991	241	83	37	9,398	129,817
Other			194,200	34,650	128,267		296	858,697
Prepays	84	73,464	915	6,690	1,195		300	114,104
Due from other funds		2,462	863				10,587	147,700
Due from other governmental units				600,523				1,530,016
Total assets	\$ 499,503	\$ 581,426	\$ 631,914	\$ 1,017,785	\$ 243,110	\$ 54,034	\$ 1,324,737	\$ 17,267,117
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	5,521	1,707	10,483	5,614	7,161	121	881	1,136,847
Accrued payroll	2,181	2,618	17,393	26,316		912	5,158	423,705
Accrued compensated absences		1,229	7,624	507				78,076
Due to other funds	46,911	45	3,391	792,159		42,756	2,043	2,269,250
Deferred revenue		575,827		170,102	235,949	10,245		1,276,862
Other short-term liabilities	750		25,000	23,087			2,128	50,965
Total liabilities	55,363	581,426	63,891	1,017,785	243,110	54,034	10,210	5,235,705
Fund balance:								
Reserved for encumbrances	78,862		7,171					1,586,220
Designated for:								
Specific programs			300,000					1,108,333
Capital projects reserve	46,000							61,000
Unreserved	319,278		260,852				1,314,527	9,275,859
Total fund balances	444,140	-	568,023	-	-	-	1,314,527	12,031,412
Total liabilities and fund balances	\$ 499,503	\$ 581,426	\$ 631,914	\$ 1,017,785	\$ 243,110	\$ 54,034	\$ 1,324,737	\$ 17,267,117

(continued)

City of Southfield
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Year Ended June 30, 2004

	Parks and Recreation Fund	Library Fund	Block Grant Fund	Auto Theft Grant Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Drug Law Enforcement Fund
REVENUES								
Taxes	\$ 5,327,396	\$ 6,749,460				\$ 3,022,863	\$ 1,574,190	
Charges for services	2,945,590	473,238						
Fines and forfeitures								
Intergovernmental revenue	71,408	71,898	\$ 1,095,698	\$ 162,434	\$ 5,134,333	1,264,156		\$ 399,700
Investment earnings	77,407	86,205	1,586	578	22,122	37,578	14,287	12,323
Other	3,364,987	7,083			95,119			4,565
Total revenues	11,786,788	7,387,884	1,097,284	163,012	5,251,574	4,324,597	1,588,477	416,588
EXPENDITURES								
Current:								
Public safety				223,642				337,828
Highways and streets					6,561,612	3,327,805	48,647	
Culture and recreation	7,815,285	5,237,244						
Community improvement			1,097,284					
Other								
Total expenditures	7,815,285	5,237,244	1,097,284	223,642	6,561,612	3,327,805	48,647	337,828
Excess (deficiency) of revenues over (under) expenditures	3,971,503	2,150,640	-	(60,630)	(1,310,038)	996,792	1,539,830	78,760
OTHER FINANCING SOURCES (USES)								
Transfers in	87,839			60,630	913,695	295,843		
Transfers out	(2,043,984)	(1,884,258)	-			(194,314)	(1,527,415)	(21,801)
Total other financing sources (uses)	(1,956,145)	(1,884,258)	-	60,630	913,695	101,529	(1,527,415)	(21,801)
Net change in fund balances	2,015,358	266,382	-	-	(396,343)	1,098,321	12,415	56,959
Fund balances - beginning	582,722	3,564,622	-	-	1,714,991	837,883	8,371	387,181
Fund balances - ending	\$ 2,598,080	\$ 3,831,004	\$ -	\$ -	\$ 1,318,648	\$ 1,936,204	\$ 20,786	\$ 444,140

City of Southfield
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Year Ended June 30, 2004

	Section 8 Housing Fund	Cable Television Fund	Michigan Works Grants Fund	Local Law Enforcement Block Grant Fund	Grants Fund	Donations and Memorial Trusts	Total
REVENUES							
Taxes							
Charges for services							\$ 16,673,909
Fines and forfeitures							3,418,828
Franchise fees		\$ 794,955					399,700
Intergovernmental revenue	\$ 1,129,366		\$ 1,525,391	\$ 257,258	\$ 56,095		794,955
Contributions						\$ 164,355	10,780,360
Investment earnings	524	1,905	2,417	1,651	152		164,355
Other			34,618			36,377	287,354
Total revenues	1,129,890	796,860	1,562,426	258,909	56,247	202,732	3,503,807
							36,023,268
EXPENDITURES							
Current:							
Public safety				273,308	87,773		922,551
Highways and streets							9,938,064
Social services	1,129,890		1,547,710				2,677,600
Culture and recreation		714,343				120,752	13,887,624
Community improvement							1,097,284
Other							
Total expenditures	1,129,890	714,343	1,547,710	273,308	87,773	120,752	28,523,123
Excess (deficiency) of revenues over (under) expenditures	-	82,517	14,716	(14,399)	(31,526)	81,980	7,500,145
OTHER FINANCING SOURCES (USES)							
Transfers in				14,399	31,526		1,403,932
Transfers out		(7,262)	(14,716)				(5,693,750)
Total other financing sources (uses)	-	(7,262)	(14,716)	14,399	31,526	-	(4,289,818)
Net change in fund balances	-	75,255	-	-	-	81,980	3,210,327
Fund balances - beginning	-	492,768	-	-	-	1,232,547	8,821,085
Fund balances - ending	\$ -	\$ 568,023	\$ -	\$ -	\$ -	\$ 1,314,527	\$ 12,031,412

(continued)

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances Final Budget and Actual - Parks and Recreation Fund For the Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 5,326,153	\$ 5,327,396	\$ 1,243
Charges for services	2,909,131	2,945,590	36,459
Intergovernmental		71,408	71,408
Investment income	30,000	77,407	47,407
Other revenue	3,423,919	3,364,987	(58,932)
Total revenues	11,689,203	11,786,788	97,585
EXPENDITURES			
Culture and recreation:			
Administration	2,091,625	1,897,944	193,681
Parks, forestry & environmental division	1,050,353	1,008,620	41,733
Recreation division	1,144,551	1,064,399	80,152
Cultural arts division	206,872	189,334	17,538
Senior center division	286,696	300,043	(13,347)
Parks facility operations	2,523,121	2,470,014	53,107
Golf	1,017,880	884,931	132,949
Total expenditures	8,321,098	7,815,285	505,813
Excess of revenues over expenditures	3,368,105	3,971,503	603,398
OTHER FINANCING SOURCES (USES)			
Transfers in	87,839	87,839	-
Transfers out	(2,043,984)	(2,043,984)	-
Total other financing sources (uses)	(1,956,145)	(1,956,145)	-
Net change in fund balances	1,411,960	2,015,358	603,398
Fund balances - beginning	582,722	582,722	-
Fund balances - ending	\$ 1,994,682	\$ 2,598,080	\$ 603,398

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Library Fund

For the Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 6,747,621	\$ 6,749,460	\$ 1,839
Charges for services	460,625	473,238	12,613
Intergovernmental	74,279	71,898	(2,381)
Investment earnings	85,000	86,205	1,205
Other	44,143	7,083	(37,060)
Total revenues	<u>7,411,668</u>	<u>7,387,884</u>	<u>(23,784)</u>
EXPENDITURES			
Culture and recreation:			
Administration	1,593,117	1,369,899	223,218
Adult reference	1,461,697	1,403,916	57,781
Children's division	608,140	552,978	55,162
Circulation division	1,133,683	1,127,540	6,143
Support services division	882,589	782,911	99,678
Total expenditures	<u>5,679,226</u>	<u>5,237,244</u>	<u>441,982</u>
Excess of revenues over expenditures	1,732,442	2,150,640	418,198
OTHER FINANCING USES			
Transfers out	<u>(1,749,163)</u>	<u>(1,884,258)</u>	<u>(135,095)</u>
Net change in fund balances	(16,721)	266,382	283,103
Fund balances - beginning	<u>3,564,622</u>	<u>3,564,622</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,547,901</u>	<u>\$ 3,831,004</u>	<u>\$ 283,103</u>

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances Final Budget and Actual - Block Grant Fund For the Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Intergovernmental:			
Federal	\$ 801,000	\$ 735,694	\$ (65,306)
Other	205,000	360,004	155,004
Investment earnings		1,586	1,586
Total revenues	<u>1,006,000</u>	<u>1,097,284</u>	<u>91,284</u>
EXPENDITURES			
Community improvement	<u>1,006,000</u>	<u>1,097,284</u>	<u>(91,284)</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances Final Budget and Actual - Auto Theft Grant Fund For the Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 165,087	\$ 162,434	\$ (2,653)
Investment earnings		578	578
Total revenues	<u>165,087</u>	<u>163,012</u>	<u>(2,075)</u>
EXPENDITURES			
Public Safety	<u>225,717</u>	<u>223,642</u>	<u>2,075</u>
Deficiency of revenues under expenditures	(60,630)	(60,630)	-
OTHER FINANCING SOURCES			
Transfers in	<u>60,630</u>	<u>60,630</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

City of Southfield**Statement of Revenues, Expenditures, and Changes in Fund Balances
Final Budget and Actual - Major Street Fund
For the Year Ended June 30, 2004**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 4,498,918	\$ 5,134,333	\$ 635,415
Investment earnings	50,000	22,122	(27,878)
Other revenue		95,119	95,119
Total revenues	<u>4,548,918</u>	<u>5,251,574</u>	<u>702,656</u>
EXPENDITURES			
Highways and streets:			
Road construction	3,005,037	3,583,333	(578,296)
Administration	210,250	185,967	24,283
Road maintenance	1,276,025	1,155,968	120,057
Traffic service	701,951	415,320	286,631
Snow removal	628,958	405,960	222,998
Appearance	913,695	815,064	98,631
Total expenditures	<u>6,735,916</u>	<u>6,561,612</u>	<u>174,304</u>
Deficiency of revenues under expenditures	(2,186,998)	(1,310,038)	876,960
OTHER FINANCING SOURCES			
Transfers in	913,695	913,695	-
Net change in fund balances	(1,273,303)	(396,343)	876,960
Fund balances - beginning	<u>1,714,991</u>	<u>1,714,991</u>	<u>-</u>
Fund balances - ending	\$ <u>441,688</u>	\$ <u>1,318,648</u>	\$ <u>876,960</u>

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Local Street Fund

For the Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 3,042,779	\$ 3,022,863	\$ (19,916)
Intergovernmental	1,176,361	1,264,156	87,795
Investment earnings (loss)	30,000	37,578	7,578
Total revenues	<u>4,249,140</u>	<u>4,324,597</u>	<u>75,457</u>
EXPENDITURES			
Highways and streets:			
Road construction	2,736,047	1,115,276	1,620,771
Administration	207,539	296,537	(88,998)
Road maintenance	1,281,003	1,098,257	182,746
Traffic service	176,260	184,041	(7,781)
Snow removal	476,002	331,425	144,577
Appearance	295,843	302,269	(6,426)
Total expenditures	<u>5,172,694</u>	<u>3,327,805</u>	<u>1,844,889</u>
Excess (deficiency) of revenues over (under) expenditures	(923,554)	996,792	1,920,346
OTHER FINANCING SOURCES (USES)			
Transfers in	295,843	295,843	-
Transfers out	(194,314)	(194,314)	-
Total other financing sources (uses)	<u>101,529</u>	<u>101,529</u>	
Net change in fund balances	(822,025)	1,098,321	1,920,346
Fund balances - beginning	<u>837,883</u>	<u>837,883</u>	-
Fund balances - ending	\$ <u><u>15,858</u></u>	\$ <u><u>1,936,204</u></u>	\$ <u><u>1,920,346</u></u>

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances Final Budget and Actual - Municipal Street Fund For the Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 1,583,599	\$ 1,574,190	\$ (9,409)
Investment earnings	10,360	14,287	3,927
Total revenues	1,593,959	1,588,477	(5,482)
EXPENDITURES			
Highways and streets	28,617	48,647	(20,030)
Excess of revenues over expenditures	1,565,342	1,539,830	(25,512)
OTHER FINANCING USES			
Transfers out	(1,565,342)	(1,527,415)	37,927
Net change in fund balances	-	12,415	12,415
Fund balances - beginning	8,371	8,371	-
Fund balances - ending	\$ 8,371	\$ 20,786	\$ 12,415

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances Final Budget and Actual - Drug Law Enforcement Fund For the Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Fines and forfeitures	\$ 298,790	\$ 399,700	\$ 100,910
Intergovernmental revenue	28,757	12,323	(16,434)
Investment earnings	1,500	4,565	3,065
Total revenues	<u>329,047</u>	<u>416,588</u>	<u>87,541</u>
EXPENDITURES			
Public safety	<u>423,344</u>	<u>337,828</u>	<u>85,516</u>
Excess (deficiency) of revenues over (under) expenditures	(94,297)	78,760	173,057
OTHER FINANCING USES			
Transfers out	(21,801)	(21,801)	-
Net change in fund balances	(116,098)	56,959	173,057
Fund balances - beginning	<u>387,181</u>	<u>387,181</u>	<u>-</u>
Fund balances - ending	<u>\$ 271,083</u>	<u>\$ 444,140</u>	<u>\$ 173,057</u>

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances Final Budget and Actual - Section 8 Housing Fund For the Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 903,621	\$ 1,129,366	\$ 225,745
Investment earnings		524	524
Total revenues	<u>903,621</u>	<u>1,129,890</u>	<u>226,269</u>
EXPENDITURES			
Social services	<u>903,621</u>	<u>1,129,890</u>	<u>(226,269)</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Cable Television Fund

For the Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Franchise fees	\$ 671,000	\$ 794,955	\$ 123,955
Investment earnings (loss)	<u>1,000</u>	<u>1,905</u>	<u>905</u>
Total revenues	672,000	796,860	124,860
 EXPENDITURES			
Culture and recreation	<u>725,432</u>	<u>714,343</u>	<u>11,089</u>
 Excess (deficiency) of revenues over (under) expenditures	(53,432)	82,517	135,949
 OTHER FINANCING USES			
Transfers out	<u>(7,262)</u>	<u>(7,262)</u>	<u>-</u>
 Net change in fund balances	(60,694)	75,255	135,949
 Fund balances - beginning	<u>492,768</u>	<u>492,768</u>	<u>-</u>
 Fund balances - ending	<u>\$ 432,074</u>	<u>\$ 568,023</u>	<u>\$ 135,949</u>

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances Final Budget and Actual - Michigan Works Grants Fund For the Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 1,610,790	\$ 1,525,389	\$ (85,401)
Investment earnings		2,417	2,417
Other revenue		34,620	34,620
Total revenues	<u>1,610,790</u>	<u>1,562,426</u>	<u>(48,364)</u>
EXPENDITURES			
Social services	<u>1,504,800</u>	<u>1,547,710</u>	<u>(42,910)</u>
Excess of revenues over expenditures	105,990	14,716	(91,274)
OTHER FINANCING USES			
Transfers out	<u>(105,990)</u>	<u>(14,716)</u>	<u>91,274</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances Final Budget and Actual - Local Law Enforcement Block Grant Fund For the Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 129,591	\$ 129,591	\$ -
Other		127,667	127,667
Investment earnings		1,651	1,651
Total revenues	<u>129,591</u>	<u>258,909</u>	<u>129,318</u>
EXPENDITURES			
Public safety	<u>143,990</u>	<u>273,308</u>	<u>(129,318)</u>
Deficiency of revenues under expenditures	(14,399)	(14,399)	-
OTHER FINANCING SOURCES			
Transfers in	<u>14,399</u>	<u>14,399</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Southfield

Statement of Revenues, Expenditures, and Changes in Fund Balances Final Budget and Actual - Grants Fund For the Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 208,822	\$ 56,095	\$ (152,727)
Investment earnings		152	152
Total revenues	<u>208,822</u>	<u>56,247</u>	<u>(152,575)</u>
EXPENDITURES			
Public safety	<u>240,348</u>	<u>87,773</u>	<u>152,575</u>
Deficiency of revenues under expenditures	(31,526)	(31,526)	-
OTHER FINANCING SOURCES			
Transfers in	<u>31,526</u>	<u>31,526</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

These funds account for the payment of interest and principal on long-term bonded debt. The City has contracted with Oakland County for indirect repayment of bonds issued for sewers and drains.

DRAINS-AT-LARGE FUND

An at-large assessment is levied upon all property to cover debt service for storm sewers built in the City by Oakland County.

SPECIAL ASSESSMENT DEBT FUND

Special assessments collected by this fund are used to pay internal loans borrowed for specific local improvements which benefit property owners.

SEWER DEBT FUND

Water and sewer rates are established each fiscal year and include an amount for debt payments. Funds are transferred to the debt fund from the Water and Sewer fund for debt service on interceptor sewers built in the city by Oakland County.

BUILDING AUTHORITY DEBT FUND

General property taxes are provided, through operating fund rent payments, to pay debt service for construction or renovation of various municipal buildings.

LIBRARY BUILDING AUTHORITY DEBT FUND

General Library taxes are provided, through operating fund rent payments to pay debt service for construction.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Debt Service Funds
June 30, 2004

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	Drains-at- Large Debt Fund	Special Assessment Debt Fund	Sewer Debt Fund	Building Authority Debt Fund	Total
ASSETS					
Cash and cash equivalents	\$ 5,517	\$ 1,104,797	\$ 11,094	\$ 149,810	\$ 1,271,218
Investments	450,405				450,405
Receivables:					
Special Assessments		1,162,065			1,162,065
Other	15,111	5,062		7,291	27,464
Due from other funds		108,772		162	108,934
Total assets	\$ 471,033	\$ 2,380,696	\$ 11,094	\$ 157,263	\$ 3,020,086
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable				289	289
Due to other funds		25,000	11,094		36,094
Deferred revenue		1,162,065			1,162,065
Total liabilities	-	1,187,065	11,094	289	1,198,448
Fund balance:					
Reserved for debt service	471,033	1,193,631	-	156,974	1,821,638
Total liabilities and fund balances	\$ 471,033	\$ 2,380,696	\$ 11,094	\$ 157,263	\$ 3,020,086

City of Southfield

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Debt Service Funds

For the Year Ended June 30, 2004

	Drains-at-Large Debt Fund	Special Assessment Debt Fund	Sewer Debt Fund	Building Authority Debt Fund	Library Building Authority Debt Fund	Long-term General Obligation Debt Fund	Total
REVENUES							
Taxes				\$ 882,232			\$ 882,232
Special assessments		\$ 256,106					256,106
Investment earnings	\$ 3,167	71,153	\$ 101	9,634		\$ 47	84,102
Other revenue	10,765						10,765
Total revenues	13,932	327,259	101	891,866	-	47	1,233,205
EXPENDITURES							
Other	1,413,194			6,361			1,419,555
Debt service:							
Principal retirement	71,647			2,475,000	\$ 150,000		2,696,647
Interest and fiscal charges	187,307			100,843	1,599,438	93,222	1,980,810
Total expenditures	1,672,148	-	-	2,582,204	1,749,438	93,222	6,097,012
Excess (deficiency) of revenues over (under) expenditures	(1,658,216)	327,259	101	(1,690,338)	(1,749,438)	(93,175)	(4,863,807)
OTHER FINANCING SOURCES (USES)							
Transfers in	1,412,200			643,477	1,749,438	93,175	3,898,290
Transfers out		(434,000)	(10,607)				(444,607)
Total other financing sources (uses)	1,412,200	(434,000)	(10,607)	643,477	1,749,438	93,175	3,453,683
Net change in fund balances	(246,016)	(106,741)	(10,506)	(1,046,861)			(1,410,124)
Fund balances - beginning	717,049	1,300,372	10,506	1,203,835	-	-	3,231,762
Fund balances - ending	\$ 471,033	\$ 1,193,631	\$ -	\$ 156,974	\$ -	\$ -	\$ 1,821,638

City of Southfield**Statement of Revenues, Expenditures, and Changes in Fund Balances****Final Budget and Actual - Building Authority Debt Fund****For the Year Ended June 30, 2004**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Taxes	\$ 842,888	\$ 882,232	\$ 39,344
Investment earnings		9,634	9,634
Total revenues	<u>842,888</u>	<u>891,866</u>	<u>48,978</u>
EXPENDITURES			
Other		6,361	(6,361)
Debt service:			
Bond principal retirement	2,475,000	2,475,000	-
Interest and fiscal charges	<u>100,843</u>	<u>100,843</u>	<u>-</u>
Total expenditures	<u>2,575,843</u>	<u>2,582,204</u>	<u>(6,361)</u>
Deficiency of revenues under expenditures	(1,732,955)	(1,690,338)	42,617
OTHER FINANCING SOURCES			
Transfers in	<u>643,477</u>	<u>643,477</u>	<u>-</u>
Net change in fund balances	(1,089,478)	(1,046,861)	42,617
Fund balances - beginning	<u>1,203,835</u>	<u>1,203,835</u>	<u>-</u>
Fund balances - ending	\$ <u>114,357</u>	\$ <u>156,974</u>	\$ <u>42,617</u>

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

These funds account for resources used for the acquisition or major renovation of capital facilities. Disbursements from these funds are primarily for property acquisition and the construction of permanent public improvements. The major financing sources are bond proceeds, transfers from other City funds, internal loans and grants.

CAPITAL IMPROVEMENT FUND

This fund is the basic Capital Project Fund of the City, accounting for all major projects not specifically segregated by bond ordinance.

CIVIC CENTER IMPROVEMENT FUND

This fund was created for maintenance and improvement of the City Civic Center.

SPECIAL ASSESSMENT CONSTRUCTION FUND

This fund accounts for the construction phase of local improvements which benefit specific property owners and are ultimately financed through special assessments. Any debt service related to these projects is presented in the previous section.

BUILDING AUTHORITY FUND

The Southfield Building Authority was incorporated October 16, 1962 under the provisions of Act 31, Public Acts of 1948, to purchase or construct facilities for use by the City. Building Authority bonds are issued to finance large-scale projects, while internal financing is used to fund other construction projects. The Authority's Debt Service Funds are presented in the preceding section.

LIBRARY BUILDING AUTHORITY FUND

The Southfield Library Building Authority was incorporated June 14, 1999 under the provisions of Act 31, Public Acts of 1948, to purchase or construct, furnish, equip and maintain a Southfield public library building. As provided in Act 31, the Library Building Authority may also issue negotiable bonds to be repaid through rental payments of the Library to the City. The Authority's Debt Service Funds are presented in the preceding section.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Capital Project Funds
June 30, 2004

	Capital Improvement Fund	Civic Center Improvement Fund	Special Assessment Construction Fund	Building Authority Construction Fund	Library Building Authority Construction Fund	Total
ASSETS						
Cash and cash equivalents	\$ 3,237,628	\$ 10,030	\$ 1,103,271	\$ 3,624,034	\$ 45,419	\$ 8,020,382
Investments					2,956,623	2,956,623
Receivables:						
Accrued interest	19,055	26	5,733	2,494	25,616	52,924
Other	157,867		22,073			179,940
Due from other funds	5,357		469,610			474,967
Total assets	<u>\$ 3,419,907</u>	<u>\$ 10,056</u>	<u>\$ 1,600,687</u>	<u>\$ 3,626,528</u>	<u>\$ 3,027,658</u>	<u>\$ 11,684,836</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	165,319		18,068	257,248	690	441,325
Due to other funds			383,897	162		384,059
Deferred revenue			22,072			22,072
Long-term advances from local improvement revolving fund	2,218,519		1,412,093			3,630,612
Total liabilities	<u>2,383,838</u>	<u>-</u>	<u>1,836,130</u>	<u>257,410</u>	<u>690</u>	<u>4,478,068</u>
Fund balances (deficit):						
Designated for:						
Specific programs	8,416			28,952	3,026,968	3,064,336
Unreserved	1,027,653	10,056	(235,443)	3,340,166		4,142,432
Total fund balances (deficit)	<u>1,036,069</u>	<u>10,056</u>	<u>(235,443)</u>	<u>3,369,118</u>	<u>3,026,968</u>	<u>7,206,768</u>
Total liabilities and fund balances	<u>\$ 3,419,907</u>	<u>\$ 10,056</u>	<u>\$ 1,600,687</u>	<u>\$ 3,626,528</u>	<u>\$ 3,027,658</u>	<u>\$ 11,684,836</u>

City of Southfield
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Capital Project Funds
For the Year Ended June 30, 2004

	Capital Improvement Fund	Civic Center Improvement Fund	Special Assessment Construction Fund	Building Authority Construction Fund	Library Building Authority Construction Fund	Total
REVENUES						
Charges for services			\$ 189,082			\$ 189,082
Investment earnings (loss)	\$ 33,592	\$ 111	23,974	\$ 16,437	\$ (66,488)	7,626
Other	3,864		120,665	27,443		151,972
Total revenues	37,456	111	333,721	43,880	(66,488)	348,680
EXPENDITURES						
Capital outlay, construction and other costs	1,318,405	987	726,711	1,554,723	2,187,807	5,788,633
Principal retirement	251,990					251,990
Interest expense	273,086		69,511			342,597
Total expenditures	1,843,481	987	796,222	1,554,723	2,187,807	6,383,220
Deficiency of revenues under expenditures	(1,806,025)	(876)	(462,501)	(1,510,843)	(2,254,295)	(6,034,540)
OTHER FINANCING SOURCES (USES)						
Transfers in	4,041,997		628,314			4,670,311
Transfers out				(162)		(162)
Discount on long-term debt				(48,829)		(48,829)
Proceeds from long-term debt				4,900,000		4,900,000
Total other financing sources (uses)	4,041,997	-	628,314	4,851,009	-	9,521,320
Net change in fund balances	2,235,972	(876)	165,813	3,340,166	(2,254,295)	3,486,780
Fund balances (deficit) - beginning	(1,199,903)	10,932	(401,256)	28,952	5,281,263	3,719,988
Fund balances (deficit) - ending	\$ 1,036,069	\$ 10,056	\$ (235,443)	\$ 3,369,118	\$ 3,026,968	\$ 7,206,768

INTERNAL SERVICE FUNDS

These funds are cost control centers that operate on a full accrual basis to account for the financing of specific equipment and services provided to other City operations based on user charges.

MOTOR POOL FUND

This fund acquires and maintains vehicles and equipment, including heavy construction and maintenance items and police vehicles.

EQUIPMENT REVOLVING FUND

This fund acquires and maintains office equipment for all operations and provides for replacement of fire equipment, parks and recreation equipment and library equipment.

FACILITIES MAINTENANCE FUND

This fund accounts for the ongoing maintenance of the City's physical plant, as well as construction projects carried out by in-house staff. Annual pro-rated maintenance charges and non-recurring special project billings are collected from operating departments in support of this fund's activities.

EMPLOYEE INCENTIVE LOAN PROGRAM FUND

This fund was created to encourage City employees to choose Southfield as their city of residence and to support the City's goals of neighborhood stability and redevelopment. Monies loaned to employees as an incentive to purchase a home in Southfield are repaid over a period not to exceed seven years.

INSURANCE RISK RETENTION FUND

This fund is utilized to account for retroactive premium adjustments, as a provision for claims in excess of the City's insurance coverage, and for loss prevention and risk management initiatives.

LOCAL IMPROVEMENT REVOLVING FUND

This fund was established to provide a means for the internal financing of public improvements, where appropriate. Most monies loaned to other funds are to be repaid with interest.

City of Southfield
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	Motor Pool Fund	Equipment Revolving Fund	Facilities Maintenance Fund	Employee Incentive Loan Program Fund	Insurance Risk Retention Fund	Local Improvement Revolving Fund	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 338,992	\$ 56,894	\$ 206,276	\$ 159,367	\$ 762,030	\$ 1,990,342	\$ 3,513,901
Investments	1,356,697	8,553,627	1,554,673		5,542,075	6,821,896	23,828,968
Receivables (net)	18,826	62,309	46,828	105	108,766	58,118	294,952
Prepays	6,396	980	6,984				14,360
Due from other funds	174,603	5,963	122,832		180,000	56,311	539,709
Inventory	306,555						306,555
Total current assets	<u>2,202,069</u>	<u>8,679,773</u>	<u>1,937,593</u>	<u>159,472</u>	<u>6,592,871</u>	<u>8,926,667</u>	<u>28,498,445</u>
Noncurrent assets:							
Long-term advances to other funds						3,630,612	3,630,612
Long-term advances to component units						7,131,724	7,131,724
Long-term advances to employees				41,794			41,794
Capital assets:							
Machinery and equipment	13,365,055	9,694,587	571,740				23,631,382
Less accumulated depreciation	(9,530,809)	(6,064,297)	(231,165)				(15,826,271)
Total noncurrent assets	<u>3,834,246</u>	<u>3,630,290</u>	<u>340,575</u>	<u>41,794</u>	<u>-</u>	<u>10,762,336</u>	<u>18,609,241</u>
Total assets	<u>6,036,315</u>	<u>12,310,063</u>	<u>2,278,168</u>	<u>201,266</u>	<u>6,592,871</u>	<u>19,689,003</u>	<u>47,107,686</u>
LIABILITIES							
Current liabilities:							
Accounts payable	57,412	25,728	239,367		17,248	7,084	346,839
Accrued payroll	38,917		77,192				116,109
Accrued compensated absences	13,567		32,795				46,362
Due to other funds	8,853		165,094		196	1,620	175,763
Total current liabilities	<u>118,749</u>	<u>25,728</u>	<u>514,448</u>	<u>-</u>	<u>17,444</u>	<u>8,704</u>	<u>685,073</u>
Noncurrent liabilities:							
Accrued compensated absences	219,530		387,039				606,569
Capital lease payable		6,617					6,617
Total noncurrent liabilities	<u>219,530</u>	<u>6,617</u>	<u>387,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>613,186</u>
Total liabilities	<u>338,279</u>	<u>32,345</u>	<u>901,487</u>	<u>-</u>	<u>17,444</u>	<u>8,704</u>	<u>1,298,259</u>
NET ASSETS							
Invested in capital assets, net of related debt	3,834,246	3,623,673	340,575				7,798,494
Unrestricted	1,863,790	8,654,045	1,036,106	201,266	6,575,427	19,680,299	38,010,933
Total net assets	<u>\$ 5,698,036</u>	<u>\$ 12,277,718</u>	<u>\$ 1,376,681</u>	<u>\$ 201,266</u>	<u>\$ 6,575,427</u>	<u>\$ 19,680,299</u>	<u>\$ 45,809,427</u>

City of Southfield
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2004

	Motor Pool Fund	Equipment Revolving Fund	Facilities Maintenance Fund	Employee Incentive Loan Program Fund	Insurance Risk Retention Fund	Local Improvement Revolving Fund	Total
OPERATING REVENUES							
Charges for consumption and service	\$ 3,104,899	\$ 1,283,188	\$ 5,580,171				\$ 9,968,258
Other	58,981		274,357	\$ 799	\$ 95,174	\$ 381,895	811,206
Total operating revenue	3,163,880	1,283,188	5,854,528	799	95,174	381,895	10,779,464
OPERATING EXPENSES							
Administration	125,977	260	2,170,012	1,496			2,297,745
Equipment and facility operation:							
Equipment maintenance	1,790,819	20,425					1,811,244
Communications	579,312						579,312
Maintenance staff			1,175,748				1,175,748
Custodial staff			1,705,349				1,705,349
Depreciation	1,104,713	916,489	58,257				2,079,459
Other		9,058			383,813	8,442	401,313
Total operating expenses	3,600,821	946,232	5,109,366	1,496	383,813	8,442	10,050,170
Operating income (loss)	(436,941)	336,956	745,162	(697)	(288,639)	373,453	729,294
NONOPERATING REVENUES							
Gain or (loss) on disposition of assets	20,492	(6,714)					13,778
Investment income (loss)	6,048	67,679	(1,780)	1,321	41,403	77,455	192,126
Total nonoperating revenues	26,540	60,965	(1,780)	1,321	41,403	77,455	205,904
Income (loss) before transfers	(410,401)	397,921	743,382	624	(247,236)	450,908	935,198
OTHER FINANCING USES							
Transfers in		70,731					70,731
Transfers out	(2,526)		(56,630)			(508,312)	(567,468)
Total other financing sources (uses)	(2,526)	70,731	(56,630)	-	-	(508,312)	(496,737)
Change in net assets	(412,927)	468,652	686,752	624	(247,236)	(57,404)	438,461
Total net assets - beginning	6,110,963	11,809,066	689,929	200,642	6,822,663	19,737,703	45,370,966
Total net assets - ending	\$ 5,698,036	\$ 12,277,718	\$ 1,376,681	\$ 201,266	\$ 6,575,427	\$ 19,680,299	\$ 45,809,427

City of Southfield
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004

	Motor Pool Fund	Equipment Revolving Fund	Facilities Maintenance Fund	Employee Incentive Loan Program Fund	Insurance Risk Retention Fund	Local Improvement Revolving Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from users	\$ 3,161,755	\$ 1,276,245	\$ 6,006,931	\$ 1,346	\$ 174,571	\$ 2,621,407	\$ 13,242,255
Cash paid to employees	(786,920)	6,617	(2,013,835)		(561,922)		(3,356,060)
Cash paid to suppliers	(1,670,210)	(106,048)	(2,749,766)	(1,496)	(37,944)	(386,081)	(4,951,545)
Net cash provided by operating activities	<u>704,625</u>	<u>1,176,814</u>	<u>1,243,330</u>	<u>(150)</u>	<u>(425,295)</u>	<u>2,235,326</u>	<u>4,934,650</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in		70,731					70,731
Transfers out	(2,526)		(56,630)			(508,312)	(567,468)
Net cash provided by noncapital and related financing activities	<u>(2,526)</u>	<u>70,731</u>	<u>(56,630)</u>	<u>-</u>	<u>-</u>	<u>(508,312)</u>	<u>(496,737)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of property and equipment	(809,259)	(421,428)	(69,455)				(1,300,142)
Proceeds from disposals/retirements	33,400						33,400
Net cash provided by (used in) capital and related activities	<u>(775,859)</u>	<u>(421,428)</u>	<u>(69,455)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,266,742)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment income	8,499	66,810	(826)	1,216	50,298	72,935	198,932
Net cash provided by investing activities	<u>8,499</u>	<u>66,810</u>	<u>(826)</u>	<u>1,216</u>	<u>50,298</u>	<u>72,935</u>	<u>198,932</u>
Net increase (decrease) in cash, cash equivalents and investment	(65,261)	892,927	1,116,419	1,066	(374,997)	1,799,949	3,370,103
Cash, cash equivalents and investments, beginning of year	1,760,950	7,717,594	644,530	158,301	6,679,102	7,012,289	23,972,766
Cash, cash equivalents and investments, end of year	<u>\$ 1,695,689</u>	<u>\$ 8,610,521</u>	<u>\$ 1,760,949</u>	<u>\$ 159,367</u>	<u>\$ 6,304,105</u>	<u>\$ 8,812,238</u>	<u>\$ 27,342,869</u>
Reconciliation of operating income to net cash provided (used) by operating activities:							
Net income (loss)	\$ (410,401)	\$ 397,921	\$ 743,382	\$ 624	\$ (247,236)	\$ 450,908	\$ 935,198
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation expense	1,104,713	916,489	58,257				2,079,459
Gain or (Loss) from disposal	(20,492)	6,714					(13,778)
Interest received	(6,048)	(67,679)	1,780	(1,321)	(41,403)	(77,455)	(192,126)
Other receivables	(8,847)		(35,210)		(15,603)		(59,660)
Prepays	(5,724)	(980)	(135)				(6,839)
Due from other funds	(17,705)	(5,963)	187,748		95,000	60,422	319,502
Inventory	30,151						30,151
Long-term advances						2,111,194	2,111,194
Long-term advances to component units						67,896	67,896
Long-term advances to employees				547			547
Accounts payable	(7,740)	1,043	74,014		(216,249)	(375,222)	(524,154)
Accrued payroll	(19,579)	6,617	(46,105)				(59,067)
Accrued compensated absences	44,074		65,513				109,587
Long-term debt	13,567	(77,348)	32,795				(30,986)
Due to other funds	8,656		161,291		196	(2,417)	167,726
Net cash provided by (used in) operating activities	<u>\$ 704,625</u>	<u>\$ 1,176,814</u>	<u>\$ 1,243,330</u>	<u>\$ (150)</u>	<u>\$ (425,295)</u>	<u>\$ 2,235,326</u>	<u>\$ 4,934,650</u>

FIDUCIARY FUNDS

Fiduciary Funds or Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other City funds. These include Expendable, Nonexpendable, and Pension Trust Funds and Agency Funds. Expendable Trust and Agency Funds are accounted for and reported as Governmental Funds.

TRUST

PENSION TRUST

This fund accounts for employee and employer pension contributions, accumulated assets, administrative expenses, investment income and payments to beneficiaries.

RETIREE HEALTH CARE BENEFITS PLAN & TRUST

The fund accounts for employer post retirement health care contributions, accumulated assets, administrative expenses and investment income. Payments for beneficiaries are not anticipated until the reserves for post retirement health care benefits have been depleted in the pension trusts.

City of Southfield
Combining Statement of Fiduciary Net Assets
Pension (and Other Post-Employment Benefits) Trust Funds
June 30, 2004

	Fire and Police	Employee Retirement	Retiree Health Care Benefits Plan & Trust	Totals
ASSETS				
Cash equivalents	\$ 3,978,971	\$ 2,060,917	\$ 3,655,928	\$ 9,695,816
Investments, at fair value:				
Government obligations	18,040,851	16,343,629		34,384,480
Corporate bonds	33,864,085	11,102,881		44,966,966
Common stock	125,403,650	52,724,294		178,127,944
Real estate and other	15,683,660	2,310,831		17,994,491
Total investments	192,992,246	82,481,635	-	275,473,881
Receivables:				
Accrued investment income		359,935		359,935
Due from other funds	48,427	5,662	67,041	121,130
Total assets	197,019,644	84,908,149	3,722,969	285,650,762
LIABILITIES				
Accounts payable	528,501			528,501
Due to other funds	462,691	615,490		1,078,181
Total liabilities	991,192	615,490	-	1,606,682
NET ASSETS				
Reserved for pension benefits	196,028,452	84,292,659		280,321,111
Reserved for post-retirement health care benefits			3,722,969	3,722,969
Total net assets	\$ 196,028,452	\$ 84,292,659	\$ 3,722,969	\$ 284,044,080

City of Southfield
Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Post-Employment Benefits) Trust Funds
For the Year Ended June 30, 2004

	Fire and Police	Employee Retirement	Retiree Health Care Benefits Plan & Trust	Totals
ADDITIONS				
Contributions:				
Plan members	\$ 796,476	\$ 11,883		\$ 808,359
Employer	<u>2,587,659</u>	<u>365,509</u>	<u>\$ 1,847,273</u>	<u>4,800,441</u>
Total contributions	<u>3,384,135</u>	<u>377,392</u>	<u>1,847,273</u>	<u>5,608,800</u>
Investment earnings:				
Net increase in fair value of investments	14,453,628	1,761,448		16,215,076
Interest	4,069,137	1,679,003	25,246	5,773,386
Dividends	1,220,828	694,697		1,915,525
Realized gain on sale of investments	<u>6,963,295</u>	<u>5,944,644</u>		<u>12,907,939</u>
Total investment earnings	<u>26,706,888</u>	<u>10,079,792</u>	<u>25,246</u>	<u>36,811,926</u>
Less investment expense:				
Investment management fee	530,351	405,515	838	936,704
Custodian fees	<u>68,402</u>	<u>55,620</u>	<u>7,132</u>	<u>131,154</u>
Total investment expense	<u>598,753</u>	<u>461,135</u>	<u>7,970</u>	<u>1,067,858</u>
Net investment earnings	<u>26,108,135</u>	<u>9,618,657</u>	<u>17,276</u>	<u>35,744,068</u>
Total additions	<u>29,492,270</u>	<u>9,996,049</u>	<u>1,864,549</u>	<u>41,352,868</u>
DEDUCTIONS				
Benefits	8,428,249	3,131,326		11,559,575
Refunds of contributions				
Health care expense	2,270,494	615,490		2,885,984
Administrative expense	<u>245,514</u>	<u>131,637</u>	<u>46,632</u>	<u>423,783</u>
Total deductions	<u>10,944,257</u>	<u>3,878,453</u>	<u>46,632</u>	<u>14,869,342</u>
Net increase	18,548,013	6,117,596	1,817,917	26,483,526
Net assets - beginning	<u>177,480,439</u>	<u>78,175,063</u>	<u>1,905,052</u>	<u>257,560,554</u>
Net assets - ending	<u>\$ 196,028,452</u>	<u>\$ 84,292,659</u>	<u>\$ 3,722,969</u>	<u>\$ 284,044,080</u>

FIDUCIARY FUNDS

AGENCY

IMPREST PAYROLL

This fund is a clearing-account for payroll disbursements which is replenished from other funds.

DEPOSITS AND ESCROW

This fund is an Agency Fund for builders' cash bonds and similar escrow deposits.

46TH DISTRICT COURT

This fund is an Agency Fund which accounts for the activity of adjoining municipalities served by the 46th District Court of the State of Michigan. The City acts as district control unit for the 46th District Court.

City of Southfield
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2004

	Imprest Payroll	Deposits and Escrow	46th District Court	Totals
ASSETS				
Cash and cash equivalents	\$ 1,956,842	\$ 495,052	\$ 869,895	\$ 3,321,789
Investments		2,857,226		2,857,226
Receivables, net	4,545	22,452	13,926	40,923
Due from other funds	362,915			362,915
Total assets	\$ 2,324,302	\$ 3,374,730	\$ 883,821	\$ 6,582,853
LIABILITIES				
Accounts payable	185,089	257,019		442,108
Deposits and escrow	2,567	3,062,905	142,864	3,208,336
Due to other funds	2,136,646	54,806		2,191,452
Due to other governmental units			740,957	740,957
Total liabilities	\$ 2,324,302	\$ 3,374,730	\$ 883,821	\$ 6,582,853

City of Southfield
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2004

	Balance at July 1, 2003	Additions	Deletions	Balance at June 30, 2004
IMPREST PAYROLL				
ASSETS				
Cash equivalents	\$ 2,505,424	\$ 153,826,736	\$ 154,375,318	\$ 1,956,842
Receivables, net	3,673	70,623	69,751	4,545
Due from component units	27,827	324,849	352,676	0
Due from other funds	12,994	8,344,549	7,994,628	362,915
TOTAL ASSETS	\$ 2,549,918	\$ 162,566,757	\$ 162,792,373	\$ 2,324,302
LIABILITIES				
Accounts payable	\$ 166,168	\$ 6,101,120	\$ 6,082,199	\$ 185,089
Deposits and escrow	2,517	127,102	127,052	2,567
Due to other funds	2,381,233	116,308	360,895	2,136,646
TOTAL LIABILITIES	\$ 2,549,918	\$ 6,344,530	\$ 6,570,146	\$ 2,324,302
DEPOSITS AND ESCROW				
ASSETS				
Cash equivalents	\$ 303,178	\$ 295,208	\$ 103,334	\$ 495,052
Investments	2,793,753	606,322	542,849	2,857,226
Receivables, net	24,715	31,150	33,413	22,452
TOTAL ASSETS	\$ 3,121,646	\$ 932,680	\$ 679,596	\$ 3,374,730
LIABILITIES				
Accounts payable	\$ 247,905	\$ 294,558	\$ 285,444	\$ 257,019
Deposits and escrow	2,859,721	453,873	250,689	3,062,905
Due to other funds	14,020	203,714	162,928	54,806
TOTAL LIABILITIES	\$ 3,121,646	\$ 952,145	\$ 699,061	\$ 3,374,730

City of Southfield
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2004

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
46th DISTRICT COURT				
ASSETS				
Cash equivalents	\$ 755,768	\$ 114,127		\$ 869,895
Other	<u>15,500</u>		\$ 1,574	<u>13,926</u>
TOTAL ASSETS	<u>\$ 771,268</u>	<u>\$ 114,127</u>	<u>\$ 1,574</u>	<u>\$ 883,821</u>
LIABILITIES				
Deposits and escrow	\$ 164,424		\$ 21,560	\$ 142,864
Due to other governmental units	<u>606,844</u>	<u>\$ 134,113</u>		<u>740,957</u>
TOTAL LIABILITIES	<u>\$ 771,268</u>	<u>\$ 134,113</u>	<u>\$ 21,560</u>	<u>\$ 883,821</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash equivalents	\$ 3,564,370	\$ 154,236,071	\$ 154,478,652	\$ 3,321,789
Investments	2,793,753	606,322	542,849	2,857,226
Receivables, net	43,888	101,773	104,738	40,923
Due from component units	27,827	324,849	352,676	-
Due from other funds	<u>12,994</u>	<u>8,344,549</u>	<u>7,994,628</u>	<u>362,915</u>
TOTAL ASSETS	<u>\$ 6,442,832</u>	<u>\$ 163,613,564</u>	<u>\$ 163,473,543</u>	<u>\$ 6,582,853</u>
LIABILITIES				
Accounts payable	\$ 414,073	\$ 6,395,678	\$ 6,367,643	\$ 442,108
Deposits and escrow	3,026,662	580,975	399,301	3,208,336
Due to other funds	2,395,253	320,022	523,823	2,191,452
Due to other governmental units	<u>606,844</u>	<u>134,113</u>		<u>740,957</u>
TOTAL LIABILITIES	<u>\$ 6,442,832</u>	<u>\$ 7,430,788</u>	<u>\$ 7,290,767</u>	<u>\$ 6,582,853</u>

(continued)

City Of Southfield, Michigan

**Governmental Expenditures By Function (1)
Last Ten Fiscal Years**

Fiscal Year Ending Jun 30	General Gov't. (2) (3)	Public Safety	Highways And Streets	Public Services	Parks And Recreation (4)	Library (4)	Debt Service	Total
1994	\$ 21,311,978	\$ 29,248,912	\$ 7,132,552	\$ 3,420,804	\$ 6,700,305	\$ 3,262,061	\$ 5,468,561	\$ 76,545,173
1995	20,511,694	30,411,240	8,469,805	3,052,210	7,346,157	2,929,453	5,077,281	77,797,840
1996	24,279,309	31,113,228	7,119,385	3,504,960	7,905,936	2,838,927	3,907,107	80,668,852
1997	23,135,329	31,672,422	7,998,167	3,531,327	7,847,961	3,055,335	4,314,461	81,555,002
1998	26,082,932 (5)	34,006,634	9,139,233	3,473,784	6,241,204 (6)	3,028,802	4,110,039	86,082,628
1999	21,630,126	33,219,119	11,062,784	3,697,838	6,206,639 (6)	2,929,199	3,997,913	82,743,618
2000	24,919,150 (7)	34,579,263	7,088,625	3,514,649	7,499,912	3,011,721	3,492,086	84,105,406
2001	25,621,771 (8)	36,041,768	15,483,061 (9)	3,877,770	8,009,409	3,151,360	4,178,052	96,363,191
2002	39,924,173 (10)	36,811,296	14,950,758	3,858,964	8,164,746	3,260,348	4,464,042	111,434,327
2003	42,634,591 (11)	37,987,626	15,905,920	4,375,788	8,062,432	3,976,496	2,906,794	115,849,647
2004	32,905,709	40,913,571	9,938,064	4,051,890	7,815,285	5,237,244	2,323,407	103,185,170

Notes:

- (1) Includes general, special revenue, capital projects, and debt service funds; also includes component units. Does not include non-profit housing.
- (2) Includes all expenditures not shown separately.
- (3) Excludes fiduciary funds.
- (4) Combining Statement of Revenue, Expenditures and Changes in Fund Balance, Non-major Governmental Funds-Special Revenue Funds (2003 & 2004) page 94. Exhibit C-2 (1994-2002)
- (5) Included \$2.746 million in capital renovations.
- (6) Golf course activity recorded in an enterprise fund.
- (7) Included \$2.057 million in capital projects for golf course renovations.
- (8) Includes \$3.764 million in Library construction.
- (9) Includes \$6.955 million in bridge construction. Also reflects increases in road maintenance and construction, expenditures for I-696 freeway system improvements, and fluctuations in the timing of engineering and other internal charges for capital projects at various stages of completion.
- (10) Includes \$13.640 million for Library construction, \$2.052 million for ball field construction, \$569,000 for DPW garage roof repair project and \$218,000 for Public Safety locker room improvements.
- (11) Includes \$11.405 million for Library construction, \$255,460 for ballfield construction, \$222,560 for DPW garage roof repair project, \$89,061 for Civic Center improvements, \$37,899 for Cable renovations, \$59,683 for Fire Hall #5 improvements and \$24,739 for the Court Building improvements.

City Of Southfield, Michigan
Governmental Revenues By Source (1)
Last Ten Fiscal Years

Fiscal Year Ending Jun 30	<u>Taxes (2)</u>	<u>Licenses And Permits</u>	<u>Inter- Governmental</u>	<u>Charges For Services</u>	<u>Fines And Forfeitures</u>	<u>Investment Income</u>	<u>Other</u>	Total
1994	40,437,267	1,288,227	14,498,286	8,444,082	2,528,250	3,530,174	2,050,553	72,776,839
1995	39,815,440	1,488,619	16,001,506	8,099,956	2,462,938	3,988,963	2,245,981	74,103,403
1996	40,916,494	1,566,907	15,697,338	12,231,306	2,505,104	4,383,775	2,316,000	79,616,924
1997	42,466,821	1,854,389	15,576,986	12,552,355	2,391,973	4,726,941	1,248,090	80,817,555
1998	43,910,070	2,082,963	17,258,616	11,938,296	2,323,022	3,923,085 (4)	1,960,781	83,396,833
1999	46,720,100	2,214,635	17,388,222	8,524,990	2,634,593	3,868,293 (4)	1,649,158	82,999,991
2000	48,720,484	2,321,821	17,658,307	9,674,002	3,187,397	3,274,632 (4)	2,148,768 (5)	86,985,405
2001	50,997,335 (3)	2,338,782	19,999,755	8,392,034	3,223,027	6,305,946 (4)	2,339,753	93,596,632
2002	52,855,386	2,504,585	19,827,155	8,843,399	3,879,502	6,432,134 (4)	1,915,360	96,257,521
2003	55,970,688	2,138,586	17,900,571	8,139,017	3,269,811	1,939,730 (4)	1,823,955	91,182,358
2004	54,873,260	2,139,257	21,151,052	7,637,466	3,654,601	391,341 (4)	5,574,413 (6)	95,421,390

Notes:

- (1) Includes general, special revenue, capital, debt service funds, and component units, on pages 38 and 53. Does not include non-profit housing.
- (2) Includes all levies, fees, penalties and interest related to ad valorem taxes.
- (3) Includes first year of full levy of Library millage approved by the City's voters on March 9, 1999.
- (4) Adjusted for increase (decrease) in fair market value of investments in accordance with GASB 31.
- (5) Included \$682,638 sale of property.

City Of Southfield, Michigan
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ending Jun 30	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Delinquent Real Tax Reimburse	Delinquent Personal Tax Collections	Total Real Tax Collections	Percent Of Total Tax Collect. To Tax Levy	Out- standing Delinq. Personal Taxes	Percent of Delinq. Taxes To Tax Levy
1995	37,327,295	35,741,481	95.8	1,074,781	42,465	36,858,727	98.7	468,568	1.3
1996	37,857,818	36,644,504	96.8	1,019,519	17,903	37,681,926	99.5	175,892	0.5
1997	39,451,424	38,159,687	96.7	1,017,902	54,445	39,232,034	99.4	219,390	0.5
1998	40,826,342	39,085,268	95.7	1,301,668	60,048	40,446,984	99.1	191,941	0.5
1999	43,396,062	41,713,067	96.1	1,449,925	68,630	43,231,622	99.6	203,305	0.5
2000	44,827,185	43,086,171	96.1	1,531,350	67,295	44,617,521	99.5	209,664	0.5
2001	47,637,367 *	45,397,597	95.3	1,763,241	25,252	47,160,838	99.0	476,529	1.0
2002	48,423,568	45,844,481	94.7	2,066,704	11,574	47,911,185	98.9	512,383	1.1
2003	50,904,589	47,932,449	94.2	2,372,308	58,622	50,304,756	98.8	599,832	1.2
2004	52,521,185	49,823,413	94.9	2,154,404	40,969	52,018,785	99.0	539,288	1.0

* Reflects first year of full levy of Library millage approved by the City's voters on March 9, 1999.

City Of Southfield, Michigan

**Assessed Value (AV) Of Taxable Property
Last Ten Fiscal Years**

State Equalized Valuation (SEV) (1) / Taxable Valuation (TV) (2)

FY Ending 30-Jun	Real Property(AV)	Personal Property(AV)	Total Property(SEV)	TV	Increase
1995	1,904,129,100	391,201,650	2,295,330,750	2,295,330,750 TV	(0.6)
1996	1,937,901,930	420,264,150	2,358,166,080	2,338,972,710 TV	1.9
1997	2,034,464,139	449,214,700	2,483,678,839	2,425,365,701 TV	3.7
1998	2,172,866,966	468,287,000	2,641,153,966	2,514,270,106 TV	3.7
1999	2,526,692,210	532,421,094	3,059,113,304	2,707,964,479 TV	7.7
2000	2,682,684,450	562,771,170	3,245,455,620	2,825,989,180 TV	4.4
2001	2,955,145,140	497,451,340	3,452,596,480	2,929,875,361 TV	3.7
2002	3,159,012,430	513,878,170	3,672,890,600	3,078,615,673 TV	5.1
2003	3,416,720,080	519,877,800	3,936,597,880	3,230,941,830 TV	4.9
2004	3,583,436,040	457,372,200	4,040,808,240	3,268,025,510 TV	1.1

Notes:

- (1) In accordance with the 1970 State of Michigan Constitution, SEV is 50% of appraised or estimated value.
- (2) The term "taxable value" (TV) is newer terminology necessary to deal with changing conditions. On March 15, 1994, Michigan voters approved changes in the property tax system which affect municipal budgets by placing a cap on assessed value that may be used to compute property tax revenues. Under the new law, effective with the 1995-96 fiscal year, real property is adjusted to market value for purposes of property taxation only at that time of sale or transfer. Annual increases in the taxable value of real properties that remain in the same ownership are limited to the lesser of 5% or the rate of inflation. Previously, real property was adjusted to market value for tax purposes on an annual basis and was not subject to a per parcel limitation or cap. Thus, prior to the 1995-96 fiscal year, all assessed value was taxable. Now, and in the future, some growth in assessed value will not be taxable. The traditional terminology of "State Equalized Value" (SEV) still exists. However, since SEV no longer represents the tax revenue producing power of a municipality, the term "taxable value" is now the fiscally relevant terminology.

City of Southfield, Michigan

Property Tax Rates (Per \$1,000 of Taxable Assessed Value)

Fiscal Year Ending June 30	General Fund		Special Revenue Funds					Debt Service Funds				Total All Rates
	Operating	Public Safety Expansion	Fire & Police Retirement	Parks & Rec.	Library	Street Maint.	Public Act 298 of 1917	Drains At Large	G.O. Road	G.O. Park 0.068	Building Authority 0.629	
1994	6.957	2.981	1.590	1.687	0.945	0.994	0.466					16.317
1995	6.957	2.981	1.700	1.739	0.950	0.994	0.460				0.637	16.418
1996	6.957	2.981	1.699	1.739	0.950	0.994	0.464				0.634	16.418
1997	6.957	2.981	1.811	1.739	0.994	0.994	0.476				0.510	16.462
1998	6.957	2.981	1.822	1.739	0.994	0.994	0.476				0.489	16.462
1999	6.900	2.957	1.726	1.725	0.986	0.986	0.455				0.492	16.227
2000	6.829	2.927	1.382	1.707	1.305	0.975	0.455				0.468	16.048
2001	6.645	2.848	1.350	1.661	2.105	0.949	0.508				0.380	16.446
2002	6.609	2.833	1.291	1.652	2.093	0.944	0.535				0.307	16.264
2003	6.609	2.833	1.301	1.652	2.093	0.944	0.440				0.275	16.153
2004	6.609	2.833	1.458	1.652	2.093	0.944	0.491				0.262	16.343

ALL OVERLAPPING GOVERNMENTS

Fiscal Year Ending June 30	General Fund	Special Revenue Funds	Debt Service Funds	Total City	Southfield Public School	Oakland County Intermediate	Oakland County Operating Levy	Oakland County Community College	Total *	City % of Total	Birmingham Public School +	Oak Park Public School +
1994	11.528	4.092	0.697	16.317	35.703	2.129	4.948	1.052	60.149	27.1	27.850	49.600
1995	11.638	4.143	0.637	16.418 **	30.384	2.129	4.948	0.852	54.731	30.0	20.240	14.300
1996	11.637	4.147	0.634	16.418 **	30.561	2.129	5.278	1.652	56.038	29.3	20.073	14.300
1997	11.749	4.203	0.510	16.462 **	30.494	2.129	5.178	1.652	55.915	29.4	19.770	14.300
1998	11.760	4.203	0.499	1.462 **	30.246	2.129 ++	5.148	1.652	55.668	29.6	19.010	14.300
1999	11.584	4.152	0.492	16.227 **	29.881	2.121 ++	4.986	1.646	54.862	29.6	20.010	14.300
2000	11.137	4.443	0.468	16.048 **	29.665	2.100 ++	4.979	1.630	54.421	29.5	19.700	14.298
2001	10.843	5.223	0.380	16.446 **	28.909	3.453 ++	4.965	1.595	55.368	29.7	18.485	14.272
2002	10.733	5.225	0.307	16.264	28.909	3.453	4.965	1.595	55.738	29.2	18.485	14.273
2003	10.748	5.130	0.275	16.153	28.895	3.422	5.252	1.609	55.331	29.2	17.751	14.173
2004	10.900	5.181	0.262	16.343	27.895	3.400	5.247	1.598	54.481	30.0	16.427	12.310

* Southfield Public Schools are used in the example because their portion of taxable assessed valuation (\$2,865,225,040) is the largest in the City. Comparative rates are presented for Birmingham and Oak Park Schools.

** Rate includes 6 mills for state education.

+ Homestead rate used.

++ Includes Suburban Mobility Authority Regional Transportation (S.M.A.R.T) tax.

City Of Southfield, Michigan

**Special Assessment Billings And Collections
Last Ten Fiscal Years**

Fiscal Year Ending June 30	<u>Current Assessment Billing</u>				Current Assessments Collected	Ratio Of Collections To Amount Due	Total Assessments Outstanding
	<u>New Projects</u>	<u>Prior Projects</u>		<u>Total</u>			
		<u>Principal</u>	<u>Interest</u>				
1995	51,887	213,211	54,564	319,662	286,550	90.0	1,078,015
1996	17,077	154,126	6,398	177,601	203,713	88.0	1,021,372
1997	0	138,421	53,048	191,469	200,282	105.0	642,173
1998	18,186	129,439	41,533	189,158	203,153	108.0	559,148
1999	19,167	124,759	32,354	176,280	157,098	90.0	494,989
2000	8,975	88,584	29,528	127,087	111,574	88.0	375,120
2001	5,950	93,105	22,122	121,177	101,646	84.0	304,348
2002	37,504	99,433	18,188	155,125	136,818	88.0	914,959
2003	0	91,637	43,484	135,121	118,973	88.0	770,249
2004	73,282	83,979	45,512	202,773	174,370	85.0	1,162,065

City Of Southfield, Michigan

Computation of Direct and Overlapping Debt at June 30, 2004

	Principal Amount Outstanding	Debt Principal Per Capita (1) (Pop. 78,296)	% Of State Equalized Value \$ 4,040,808,240
DIRECT AND INDIRECT DEBT			
<u>Direct Debt</u>			
General Obligation Bonds-Limited Tax	\$ 4,900,000		
Building Authority Bonds	29,800,000		
Water & Sewer Revenue Bonds	33,418,789		
Direct Debt	68,118,789	\$ 870.02	1.69%
<u>Indirect Debt</u>			
Oakland County Contractual Obligations:			
- Drains At Large	\$ 8,894,790		
- Evergreen/Farmington Sewage Disposal	5,475,974		
Indirect Debt	14,370,764	183.54	0.36%
Gross Debt	82,603,186	1,055.01	2.04%
<u>Less Deductions</u>			
Funds on hand to repay principal			
Building Authority	149,810		
Drains at Large	455,922		
Oakland County Obligations	671,288		
Total Deductions	1,277,020	16.31	0.03%
Net City Debt	81,326,166	1,038.70	2.01%
<u>OVERLAPPING DEBT (2)</u>			
Southfield School District	94.91%	\$ 97,263,768	
Oak Park School District	22.50%	2,182,500	
Birmingham School District	2.80%	6,792,520	
Oakland County at Large	6.14%	4,510,462	
Oakland County Intermediate School District	6.17%	691,040	
Oakland County Community College	6.19%	762,918	
Overlapping Debt	112,203,208	1,433.06	2.78%
	\$ 193,529,374	2,471.77	4.79%

Note:

(1) Final 2000 census data from the U.S. Census Bureau.

(2) Overlapping debt figures supplied by the Michigan Advisory Council, Detroit, Michigan.

City Of Southfield, Michigan

**Statement of Legal Debt Margin
June 30, 2004**

	Debt Margin Calculation			
	Gross Indebtedness	Statutory (1) Deductions	Net Indebtedness	Applicable Percentage
State Equalized Value at 12/31/03				100.000% \$ 4,040,808,240
Debt Subject to Statutory Limitation				
General Obligation Bonds-Limited Tax	\$ 4,900,000		\$ 4,900,000	
Building Authority Bonds	29,800,000		29,800,000	
Oakland County Contractual Obligations	14,370,764		14,370,764	
Restricted Indebtedness	49,070,764		49,070,764	10%
Emergency Bonds				0.375%
Special Assessment Bonds				12%
Total	49,070,764		<u>\$ 49,070,764</u>	<u>\$ 904,130,844</u>
State of Michigan Water Supply and Sewage Disposal Revenue Bonds				
Series to 6/30/02				
1998A (LTGO) 2.25%	1,552,048			
1998B (LTGO) 2.50%	11,750,000			
1999 (LTGO) 2.50%	10,951,741			
2000 (LTGO) 2.50%	9,165,000			
Total Water & Sewage Disposal Revenue Bonds		33,418,789		
Gross City Debt		<u>\$ 82,489,553</u>		

Notes:

(1) Deductions are allowed for restricted bond and interest redemption deposits held by fiscal agents.

City Of Southfield, Michigan

**Ratio of Net General Debt To Assessed Value
And Net Bonded Debt Per Capita
Last Ten Fiscal Years**

Fiscal Year Ending June 30	Population	Taxable Value	Bonded Debt (1)	Less Funds Available In Debt Service Funds	Net Bonded Debt	Ratio Of Net Bonded Debt To Taxable Value	Net Bonded Debt Per Capita
1995	75,728	\$ 2,295,330,750	\$ 14,831,579	\$ 2,637,092	\$ 12,194,487	0.53%	161.03
1996	75,728	2,338,972,710	13,272,434	2,462,994	10,809,440	0.46%	142.74
1997	75,728	2,425,365,701	11,653,289	2,079,666	9,573,623	0.39%	126.42
1998	75,728	2,514,270,106	10,059,005	1,322,519	8,736,486	0.35%	115.37
1999	75,728	2,707,964,479	8,442,845	1,539,685	8,442,845	0.31%	111.49
2000	76,240	2,825,989,180	7,040,382	1,641,133	5,399,249	0.19%	70.80
2001	78,296 (2)	2,929,875,361	37,283,425	2,505,457	34,777,968	1.19%	444.19
2002	78,296	3,078,615,673	42,991,736	2,283,942	40,707,794	1.32%	519.92
2003	78,296	3,230,941,830	41,391,437	1,931,390	39,460,047	1.22%	503.99
2004	78,296	3,268,025,510	49,070,764	1,277,020	47,793,744	1.46%	610.42

**Ratio of Annual Debt Service Expenditures
For General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years**

Fiscal Year Ending June 30	Debt Service Requirements			Total (3) General Expenditures	Ratio Of Debt Service To Expenditures
	Principal	Interest	Total		
1995	\$ 2,901,392	\$ 2,175,889	\$ 5,077,281	\$ 72,720,559	7.0
1996	2,695,530	1,850,588	4,546,118	76,761,745	5.9
1997	2,697,360	1,617,101	4,314,461	77,240,541	5.6
1998	2,757,506	1,352,533	4,109,998	81,972,589	5.0
1999	2,716,949	1,280,963	3,997,912	78,745,705	5.1
2000	2,567,589	924,497	3,492,086	84,105,406	4.2
2001	2,688,985	1,489,067	4,178,052	96,369,159 (4)	4.3
2002	2,143,970	2,320,072	4,464,042	111,434,327 (4)	4.2
2003	2,007,382	2,258,065	4,265,447	115,849,647	3.7
2004	4,108,847 (5)	1,980,810	6,089,657	103,185,170	5.9

Notes:

- (1) Only includes general obligation debt that is being repaid through general property taxes .
- (2) Final census data from U.S. Census Bureau.
- (3) Includes general, special revenue, capital, and component units.
- (4) Refer to S-1 on page 136 and Note 3.D. on page 68
- (5) Includes bond call.

City Of Southfield, Michigan

Demographic Statistics Last Ten Fiscal Years

Fiscal Year Ending Jun 30	Population (1)	Per Capita Income (2)	Median Age (2)	School Enrollment (3)	Unemployment Rate Percentage (4)	Retail Sales (000) (2)
1994	75,728	\$ 26,718	38.1	9,074	6.0	\$ 2,053,911
1995	75,728	29,959	38.5	9,190	4.3	2,040,293
1996	75,728	22,232	38.9	9,493	3.6	1,976,412
1997	75,728	22,385	35.0	9,423	4.5	2,005,945
1998	75,728	22,927	35.2	9,497	2.5	1,964,170
1999	75,728	24,248	35.4	9,539	2.8	2,118,796
2000	76,240	24,983	35.7	9,472	2.5	2,802,830
2001	78,296	27,023	35.9	9,878	4.2	2,764,128
2002	78,296	23,835	35.7	10,195	5.9	2,802,830
2003	78,296	27,023	35.9	10,631	5.9	2,764,128
2004	78,296	23,485	36.2	10,007	5.5	2,342,814

Notes:

- (1) 1990/2000 Census Data From U.S. Census Bureau.
- (2) Survey of Buying Power: Sales and Marketing Management; New York, N.Y.
- (3) Southfield Public Schools, Southfield, Michigan.
- (4) Michigan Employment Security Commission.

City Of Southfield, Michigan

**Summary of Demand and Savings Deposits
By Type of Institution
Last Ten Years**

Fiscal Year Ending June 30	Deposits (\$000s) (1)			
	Banks	Savings & Loans	Credit Unions	Total
1993	\$ 2,185,861	\$ 252,101	\$ 246,286	\$ 2,684,248
1994	1,802,469	224,304	258,778	2,285,551
1995	1,595,736	248,623	265,742	2,110,101
1996	1,667,680	231,023	272,062	2,170,765
1997	1,687,794	213,232	285,517	2,186,543
1998	1,709,550	199,631	251,493	2,160,674
1999	1,749,153	205,497	361,260	2,315,910
2000	1,687,103	201,559	365,564	2,254,226
2001	1,675,724	204,657	413,600	2,293,981
2002	1,740,019	81,884	460,345	2,282,248
2003	2,155,684	64,118	176,305	2,396,107

Note:

(1) The deposit information is from F.D.I.C. data contained in Sheshunoff: The Branches of Michigan; 2003 Banks, Savings and Loans, Credit Unions & Savings Banks.

City Of Southfield, Michigan
Construction And Property Value
Last Ten Calendar Years
Annual Construction By Category

--- Commercial & Industrial---

---- Multi-Family ----

---- Single Family ----

<u>Calendar</u> <u>Year</u>	<u>Number</u> <u>Of Units</u>	<u>Value</u>	<u>Number</u> <u>Of Units</u>	<u>Value</u>	<u>Number</u> <u>Of Units</u>	<u>Value</u>
1995	8	\$ 19,742,517	16	\$ 5,404,045	36	\$ 3,870,966
1996	12	28,709,000	1	285,130	52	5,011,831
1997	14	24,474,189	7	3,067,213	71	7,923,954
1998	16	21,114,531	7	13,983,121	86	9,315,118
1999	19	33,246,905	7	3,541,000	64	7,352,721
2000	10	26,149,331	16	6,957,850	64	8,886,653
2001	22	72,066,172	16	6,319,025	38	5,129,541
2002	16	27,292,518	17	8,574,664	53	7,892,462
2003	13	26,300,486	7	4,695,068	79	15,530,225
2004	8	16,210,000	8	2,957,145	69	11,613,829

Property S.E.V. By Category

	<u>Commercial</u>	<u>Industrial</u>	<u>Residential</u>
1995	\$ 1,003,927,460	\$ 38,698,390	\$ 895,276,080
1996	1,043,515,800	40,410,160	950,538,179
1997	1,099,749,470	41,967,890	1,031,149,606
1998	1,357,858,040	42,187,340	1,126,646,830
1999	1,393,435,480	43,139,320	1,246,109,650
2000	1,546,801,740	52,091,540	1,356,251,860
2001	1,603,662,800	55,278,190	1,500,071,440
2002	1,721,234,450	58,111,090	1,637,374,540
2003	1,773,624,540	60,869,190	1,748,942,310
2004	1,807,791,760	64,334,500	1,855,315,100

City Of Southfield, Michigan
Economic and Statistical History
June 30, 2004

AREA

26.7 square miles (since incorporation)

POPULATION

U.S. CENSUS Age Distrib.	1980 Number	%	1990 Number	%	2000 Number	%
24 and under	24,701	32.7%	22,101	29.2%	23,089	29.5%
25 through 64	39,775	52.6	40,777	53.8	43,319	55.3
65 and older	11,092	14.7	12,850	17.0	11,888	15.2
Total Persons	75,568	100.0%	75,728	100.0%	78,296	100.0%

Income Distrib.	Number	%	Number	%	Number	%
\$ 5,000 and under	1,652	5.6%	1,097	3.4%		
5,000 - 9,999	2,543	8.6	1,774	5.5	2,242	6.6%
10,000 - 14,999	3,038	10.2	1,951	6.1	1,412	4.2
15,000 - 24,999	6,634	22.4	3,988	12.4	3,495	10.3
25,000 and over	15,798	53.2	23,331	72.6	26,822	78.9
Total						
Households	29,665	100.0%	32,141	100.0%	33,971	100.0%

**BUILDING
CONSTRUCTION**

Year	Permits	Value	Year	Permits	Value
1995	1,408	62,391,281	2000	1,627	95,642,461
1996	1,492	59,412,972	2001	1,460	129,443,898
1997	1,632	90,639,649	2002	1,461	99,472,942
1998	1,215	98,718,600	2003	1,231	109,138,521
1999	1,571	102,308,381	2004	1,368	78,239,744

Economic and Statistical History (cont.)

WATER & SEWER SERVICES

Users/Consumers: 18,143 Water and Sewer combined; 161 Sewer only.
Use & Consumption: 610,237,907 cubic feet purchased
System Capacity: 34 million gallons per day (MGD)
Distribution System: Southeastern Oakland County Water Authority consisting of 11 communities. Ten are active with their own systems.
Water Mains: 354.80 miles
Fire Hydrants: 3,570
Sewer Mains: 205.19 miles sanitary; 61.38 miles storm; 39.93 miles combined.

PRINCIPAL TAXPAYERS (2003 Tax Roll)

Taxable Valuation		
1	BRE Southfield	\$115,222,800 3.5%
2	Forbes – Cohen/Nemer Associates	50,951,270 1.6
3	Detroit Edison	43,677,150 1.3
4	TTERTT Associates, LLC	42,107,530 1.3
5	Sutton Place Associates	37,350,000 1.1
6	Liberty Properties	33,764,930 1.0
7	New Par/Verizon Wireless	31,938,290 1.0
8	Allied Phase One Venture	30,434,120 0.9
9	Hartman & Tyner Incorporated	29,797,320 0.9
10	American Center Acquisition	26,441,060 0.8
11	SBC Communication	26,256,460 0.8
12	Ramco – Gershenson Incorporated	25,583,550 0.8
13	Nippondenso Sales Incorporated	24,460,930 0.8
14	Franklin Park Towers	19,815,630 0.6
15	Teachers Michigan Properties Inc	19,632,350 0.6
16	Wilmington Trust Company	19,207,340 0.6
17	Star Southfield Center LLC	19,174,290 0.6
18	SLT Southfield	18,467,610 0.6
19	GP Northland Center	17,229,270 0.5
20	Rosin & Rosin	16,704,450 0.5
SUB-TOTAL		648,216,350 19.8
All Other Taxpayers		2,619,809,160 80.2
TOTAL TAXABLE VALUE		<u>\$3,268,025,510</u> 100.0%

Economic and Statistical History (cont.)

STREET FACILITIES

Streets: Total 243.3 miles, with 63.4 miles on the Major Street System and 179.9 miles on the Local Street System. Less than 5 miles remain unpaved.
Alleys: Total under five miles.
Sidewalks: Total 201.29 miles including ten miles of paved bike paths.
Street Lights: Total 1,720.

PUBLIC SAFETY

Public Safety is organized for efficiency into three areas of overall administration and communications (PSA), police and fire.

Vehicles	P.S.A.	Police	1 st Line/ Fire Reserve
Cars	3	96	7/0
Trucks	0	1	10/2
Life Support Vans, 4WD, etc.	0	0	4/2
	2	20	9/0
Total	5	117	30/4

Facilities: One main Public Safety Building housing Police, Civilian Support Services and Emergency Management, as well as a 36-cell detention facility operated by the Oakland County Sheriff's Department.

POLICE PROTECTION

Please note that the Southfield Police Department now uses the new Michigan Incident Crime Reporting System (MICR).

Under this system Group A Offenses: (serious incidents, which carry maximum penalty under the law) has replaced what used to be known as Part I crimes. Group B offenses contain the less serious, yet still arrestable crimes which used to be known as Part II crimes.

Group A Offenses: (murder, manslaughter, rape, robbery, aggravated assault, breaking and entering, larceny, auto theft, arson, kidnaping/abduction, forgery, fraud, embezzlement, receiving and concealing stolen property, vandalism, weapons violations, commercialized sex, drug law violations, gambling).

Group B Offenses: (fraud, non-forcible sexual, non-violent family, drunk driving, liquor law violations, obstruction, disorderly conduct, arrestable traffic).

Law Violations: Group A Offenses - 8,366
Group B Offenses - 1,280

Traffic Violations: 19,835

Incidents Handled: 66,589

Economic and Statistical History (cont.)

FIRE PROTECTION

Alarms Answered: 11,032 runs
Medical Emergency: 8,401 runs

PARKS & RECREATION

The Parks and Recreation Department is responsible for 769 acres of park land and open space at 37 sites within the City. Of the 769 acres, over 300 are dedicated nature preserves. The Department offers over 1,000 recreation programs at facilities which include 2 nine-hole golf courses, a lighted driving range, a 50-meter outdoor swimming pool, a senior adult center, an indoor athletic field house, an indoor ice arena and a neighborhood recreation center. There are numerous ball fields, tennis and handball courts, picnic areas and shelters. Soccer fields, play lots and sand volleyball courts are located throughout the City for residents' enjoyment.

The Department is also responsible for a number of historical properties including the Burgh Historical Park, the Miller Barn at Inglenook Park and the Mary Thompson Farmhouse. The Burgh Historical Park includes an outdoor gazebo and six historic buildings which bustle with activities, including concerts, weddings, and a variety of other family and community events. The Burgh's 1854 Methodist Church is home to the City's SRO Productions civic theater company, now in its fourteenth season. The Mary Thompson Farmhouse was restored as a museum and is home to the Southfield Historical Society. The Senior Gardens at the Mary Thompson Farm provide plots to over 100 enthusiastic gardeners who offer tours to school and scouting groups. The Senior Gardens have been recognized as one of the best community gardens in the nation by the John Deere Company and have received numerous awards from the Michigan State Fair.

The Department offers many programs for disabled athletes including the Miracle League, a baseball program for disabled youth, and the Jr. Thunderbirds Wheelchair Basketball Program. Golf programs have been expanded to include youth programs such as Michigan First Tee and Midnight Golf, along with the PGA sponsored GAIN program for disabled golfers.

In addition to day-to-day programming for all Southfield residents, the Parks and Recreation Department is also focused when it comes to special events, including the Star Spangled Southfield fireworks event, the Southfield Art Fair, and the Southfield Smooth Jazz Fest. Quality entertainment is offered year-round with a variety of concert series including the popular free outdoor concerts held throughout the summer at the Burgh Gazebo and Eat to the Best noontime series at City Centre. Performing arts groups such as the Southfield Philharmonic, Motor City Brass Band, Great Lakes Lyric Opera Company and The Metropolitan Singers also present concerts throughout the year at various sites in the City. The Department has received many national awards for excellence in recreational programming, as well as for beautification and environmental maintenance and programming.

LIBRARY

The municipal library, located at the Southfield Civic Center, is one of Michigan's busiest. More than 2,800 patrons per day utilize the Library's main facility. The Library maintains a book collection in excess of 200,000 volumes, with more than 6,850 video cassettes and 2,250 DVDs available. The Library also makes available compact discs, audio cassettes, and a sophisticated computer network. Southfield's reference collection is one of the most

Economic and Statistical History (cont.)

LIBRARY (cont.)

sophisticated in Michigan with an internationally linked computer business reference service to assist the community's large business population.

While continuing to provide excellent service to its corporate and residential citizens through traditional library services, the Southfield Public Library takes advantage of the most sophisticated computer technology to make information available to our residents and businesses. We provide access to the Internet, a worldwide computer network. Through this system our patrons have available information covering such disciplines as business, finance, technology, science, humanities, public affairs, the arts, and general news.

We provide several CD-ROM products, including Infotrac, World Book Encyclopedia, Phone Disk, and Wilson Business Abstracts. This wealth of computerized information is available on the Library's 200 public work stations as well as at home, business, or school through our dial-in Access service.

The library also provides access to satellite down linking of programs conducted throughout the world. These are available in either our large meeting room (capacity 230) or our auditorium (capacity 170).

We also offer 16 group study rooms for students or business people and a large quiet study room.

The Southfield Public Library provides a full range of programs to meet the needs of residents and businesses. Programs include such areas as Preschool Story Time, Opera Series, Super Science Saturdays, Battle of the Books, several literary and poetry series, as well as consumer-oriented information and health topics.

On March 9, 1999, the voters of Southfield approved a millage increase to a new limit of 2.2 mills to construct and operate a new Southfield Public Library. The new facility opened in June, 2003.

City Of Southfield, Michigan

**History of Constitutional Tax Rate Rollback Factors
Required Under Proposal E (The "Headlee" Amendment)
Ratified November 7, 1978**

Fiscal Year Ending June 30	Preceding Year's TAV	-	Losses	X	CPI	=	TAV Ceiling	Actual TAV	-	New TAV	=	Adjusted TAV	Ratio (1)	Rollback Factor (2)
1995	2,308,294,700		109,087,700		1.030		2,265,183,210	2,295,330,750		55,924,400		2,239,406,350	1.0115	0.9938
1996	2,295,330,750		76,525,225		1.026		2,276,494,469	2,338,972,710		80,462,120		2,258,510,590	1.0080	0.9938
1997	2,338,972,710		73,187,580		1.028		2,329,227,114	2,425,365,701		100,213,910		2,325,151,791	1.0018	0.9938
1998	2,425,365,701		77,238,690		1.028		2,413,874,567	2,514,270,106		111,665,000		2,402,605,106	1.0047	0.9938
1999	2,514,270,106		59,865,637		1.027		2,520,673,390	2,707,964,479		167,080,300		2,540,884,179	0.9920	0.9858
2000	2,707,964,479		124,212,523		1.016		2,625,091,987	2,825,989,180		173,090,804		2,652,898,376	0.9895	0.9754
2001	2,825,989,180		137,447,971		1.019		2,739,623,492	2,929,875,361		114,894,355		2,814,981,006	0.9732	0.9492
2002	2,929,875,361		132,984,677		1.032		2,886,391,186	3,078,615,673		176,560,727		2,902,054,946	0.9946	0.9440
2003	3,078,615,673		116,702,592		1.032		3,056,694,300	3,230,941,830		180,893,047		3,050,048,783	1.0022	0.9440
2004	3,230,941,830		137,098,147		1.015		3,140,251,338	3,268,025,510		169,450,040		3,098,575,470	1.0135	0.9440

Notes:

- (1) Ratio of TAV ceiling to adjusted TAV.
- (2) The rollback factor is intended to provide local taxing units with a tax revenue ceiling, equal to 1978 authorized millage rates times 1978 assessments increased only by the official Consumer Price Index (CPI) index plus new construction. Any excess property tax authority above this ceiling is "rolled back" through application of a millage reduction fraction. The 1978 base millage reduction fraction was 1.000, which becomes the upper limit for future factors. As a compound millage reduction factor, the factor for one year is the product of the rollback factor of the previous year multiplied by the ratio of inflated taxable assessed value (TAV) divided by adjusted TAV of the current year. The inflated TAV for any year is calculated by multiplying the TAV of the previous year by the consumer price index for that year. This is compared to the adjusted TAV or the actual TAV for that year less net new construction (additions minus losses).

City Of Southfield, Michigan

**General Fund Balance Compared To Annual Expenditures
Last Ten Fiscal Years**

Fiscal Year Ending June 30	Undesignated Fund Balance	Annual Expenditures	Balance As Percent Of Expenditures
1995 \$	5,760,484	\$ 45,454,304	12.7%
1996	5,650,844	47,368,802	11.9
1997	5,898,453	46,622,314	12.7
1998	5,824,044	51,212,712	11.4
1999	6,723,665	50,938,783	13.2
2000	7,246,646	52,605,432	13.8
2001	7,316,869	54,206,915	13.5
2002	7,545,390	55,256,370	13.7
2003	3,841,110	58,064,585	06.6
2004	2,972,962	61,147,556	04.9

City of Southfield, Michigan

**Authorized Positions (FTE's)
1995-96 / 2003-04**

Department	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04
Accounting	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	8.40
Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00
Assessing	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.15
Building	20.00	19.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
Cable TV	7.00	7.00	7.00	7.00	7.00	8.00	8.00	8.00	7.00
Central Services	6.00	5.00	4.00	4.00	4.00	4.00	4.00	6.00	6.00
City Clerk	8.50	9.50	9.50	9.50	9.50	11.00	11.00	11.00	11.00
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Civilian Operations/Commun. ⁽¹⁾	60.89	57.89	57.89	49.89	25.00	25.00	25.00	25.00	25.00
Community Develop. Admin. ⁽²⁾⁽³⁾	3.50	13.50	13.50	13.50	12.50	16.50	16.50	16.50	14.00
Community Relations ⁽²⁾	15.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Design Engineering ⁽⁴⁾	4.00	-	-	-	-	-	-	-	-
District Court	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
Emergency Management ⁽⁵⁾	-	-	-	-	-	1.00	1.00	1.00	1.00
Engineering ⁽⁴⁾	-	10.00	10.00	9.00	10.00	10.00	10.00	11.00	10.00
Facilities Maintenance	36.76	36.76	36.76	36.76	40.26	39.26	39.26	39.26	44.26
Financial Services/OMB	4.00	4.00	4.00	4.00	5.00	5.00	5.00	3.00	3.00
Fire ⁽¹⁾	106.00	106.00	106.00	110.00	113.00	114.00	114.00	114.00	114.00
Human Resources ⁽⁶⁾⁽⁷⁾	9.50	9.00	9.00	9.00	9.50	17.75	17.75	17.75	18.75
Human Services	7.00	7.00	7.00	7.00	6.50	6.50	6.50	5.50	5.50
Labor Relations	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Legal	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Library ⁽¹¹⁾	39.00	39.00	39.00	39.00	39.00	40.50	40.50	40.50	64.50
Mayor	2.00	2.00	2.00	2.00	2.50	2.50	2.50	2.50	2.50
Motor Pool	14.00	14.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00
Parks And Recreation	112.77	112.27	112.27	112.27	112.27	112.27	112.27	112.27	110.27
Planning	6.00	6.00	6.00	8.00	8.00	8.00	8.00	7.00	7.00
Police ⁽¹⁾⁽⁸⁾	157.00	157.00	157.00	161.00	181.89	185.89	186.89	186.89	186.89
Project Engineering ⁽⁴⁾	6.00	-	-	-	-	-	-	-	-
Public Works Admin.	8.50	7.50	7.50	8.50	8.50	8.50	8.50	7.50	7.00
Purchasing	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Retirement Administration ⁽⁹⁾	-	-	-	-	-	-	-	-	1.00
Streets And Highways	29.62	29.62	29.62	28.62	28.62	31.62	31.62	31.62	31.62
Support Services	-	-	-	-	-	-	-	-	-
Technology Services ⁽¹⁰⁾	9.50	9.50	10.50	10.50	10.50	10.50	10.50	11.50	11.50
Transportation	6.76	6.76	5.76	5.76	5.76	5.76	5.76	5.76	4.76
Treasurer	9.00	9.00	9.00	9.00	10.00	10.00	10.00	10.00	8.60
Water And Sewer	<u>28.08</u>	<u>28.08</u>	<u>28.08</u>	<u>29.08</u>	<u>29.08</u>	<u>31.08</u>	<u>32.08</u>	<u>32.08</u>	<u>31.08</u>
Totals	<u>802.88</u>	<u>797.88</u>	<u>799.88</u>	<u>801.88</u>	<u>806.88</u>	<u>832.13</u>	<u>834.13</u>	<u>833.13</u>	<u>851.78</u>

Notes:

- ⁽¹⁾ Effective July 1, 1999, department title was changed from Civilian Support Services to Civilian Operations/Communications and personnel/divisions decentralized to Police and Fire Departments' budgets.
- ⁽²⁾ In 1996-97, the Code Enforcement and Housing functions of the Community Relations Department were transferred to the Community Development Administration Department.
- ⁽³⁾ Four contractual grants administration positions were recognized as career positions in 2000-01.
- ⁽⁴⁾ In 1996-97, the Design Engineering and Project Engineering Departments were consolidated into the Engineering Department.
- ⁽⁵⁾ New Department in 2000-01. Function was previously a part of the Police Department.
- ⁽⁶⁾ Effective July 1, 1998, department title was changed from Personnel to Human Resources.
- ⁽⁷⁾ Eight contractual daycare positions were recognized as career positions in 2000-01.
- ⁽⁸⁾ Three grants funded police officer positions were recognized as permanent career positions in 2000-01.
- ⁽⁹⁾ New Department in 1996-97 - Employee is contractual.
- ⁽¹⁰⁾ Effective July 1, 2003, department title was changed from Information Services to Technology Services.
- ⁽¹¹⁾ 2003-2004 increase reflects the first full year of new Library operations.

City Of Southfield, Michigan

**Insurance Coverage
June 30, 2004**

POLICY/CARRIER/COVERAGE (1)

- I. **General Liability Coverage** - Michigan Municipal Risk Management Authority (MMRMA)
 - A. \$15 million each occurrence bodily injury, personal injury, property damage, public officials and law enforcement liability, and statutory Michigan "no fault" on owned automobiles.
 - B. The MMRMA program is approved and regulated by the Michigan Insurance Bureau. It was established in 1982 under Michigan Public Act 138.

- II. **Property & Other** - Michigan Municipal Risk Management Authority, and various other carriers.
 - A. Property: \$129.5 million virtual all-risk protection on real and personal property. Coverage for public employee faithful performance, valuable papers/records, and extra expense/loss of earnings also are provided.
 - B. Other: Various specific purpose bonds, special events policies, fiduciary liability, and other coverage are provided to meet the operating needs of the City while protecting its financial interests.

- III. **Workers' Compensation** - Great American Insurance Companies (2)
 - A. Michigan statutory benefits.
 - B. \$100,000 employer's liability protection.

Notes:

- (1) Coverage description is general and subject to change. No attempt has been made to reflect deductible provisions or overlapping coverage or interrelationships. Only the formal policies can do this. The insurance coverages outlined are part of an overall risk management strategy outlined on page 73.
- (2) Great American Insurance Company's financial strength profile is rated A (excellent) by Best's Insurance Reports, and the origin of the company dates back to the year 1872.

City of Southfield, Michigan

Management Group (Exempt) Personnel
Salary Schedule July, 2003

Grade E - U, \$89,627 - \$121,261 Deputy City Administrator
Grade E - T, \$84,019 - \$113,674
Grade E - S, \$80,213 - \$108,528 Director of Public Works
Grade E - R, \$74,796 - \$101,195 Director of City Planning and Business Resource Development Director of Community Relations Director of Financial Services Director of Parks and Recreation Fire Chief Police Chief
Grade E - Q, \$71,057 - \$96,137 City Librarian Deputy City Treasurer/Deputy Director of Financial Services Director of Technology Services
Grade E - P, \$67,822 - \$91,759 Attorney IV City Assessor Director of Human Resources
Grade E - O, \$61,810 - \$83,624 Director of Human Services
Grade E - N, \$56,531 - \$76,484 Attorney III Deputy City Assessor Deputy City Clerk Deputy City Librarian Deputy City Planner Director of Labor Relations Purchasing Agent Retirement Plan Administrator
Grade E - M, \$51,987 - \$70,337 Attorney II
Grade E - L, \$49,979 - \$64,913 Attorney I